

SUBSIDIARITY GOVERNANCE:

*The Case of Lombardy*

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Alessandro Colombo (ed.): *Subsidiarity Governance, Theoretical and Empirical Models*. London, New York, Palgrave Macmillan, 2012. 196 p.

*Book Review*

*(Abstract)* The question of regionalism and decentralisation is an ongoing issue in many Central and Eastern European countries especially since the beginning of the European integration process. It is a hot topic even nowadays which might be proven by the new centralizing reforms in Hungary or the latest attempt to create administrative regions in Romania. Therefore, it might be useful to have a closer look on successful models realised in other European states. Such a model is offered by the book edited by Alessandro Colombo which deals with the key concept of 'subsidiarity governance' presenting the case of Lombardy.

*Keywords:* subsidiarity, regionalism, NUTS system, decentralisation, state structure, Lombardy, Italy.

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Introduction

The question of decentralization and the various forms of state structures, such as unitarian, federal or – newly – regionalized appears in many scientific works. However, most of them deal with the problem from a deductive perspective, focusing on the guiding principles and they leave no room for the empirical experiences. In this view, the book edited by Alessandro Colombo offers a totally new and rich perspective on a region of Italy, which is eventually comparable with Hungary regarding the size of its population.<sup>1</sup>

At first glance one might note that the creation of regions is not a new topic of the European state structure debates. Moreover, it can be assessed as a European goal to realize ideal territorial entities, to find the optimal territorial size which is thought to be a precondition of effective public services and economic development.

As regards categories a typology of three broader classes of regions can be detected. First of all, the European NUTS system claims only the creation of comparable regions with around the same number of population. Accordingly the so-called easiest way is to create regions only in a formal manner without any spectacular competences. In this weakest form of decentralization there is no change of vertical power structure, the central government remains the leader of the regions through a central managing body which provides for the regions some central financial aid. In this model the central body usually has the function to solve some specific, occasional tasks.

The second category can be characterized by the transfer of a few functions such as planning, development and authorization. Even in this model the influence of the central bodies does not change, so it seems to be an ideal category for a unitary state.

And finally the strongest version of decentralization goes together with real division of labor between the central and regional levels. The regional bodies can have their own income beyond any financial transfers

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<sup>1</sup> It has approximately 10,010,900 citizens.

coming from the central government. One of the authors of this book thinks this model to be the most effective solution in long term<sup>2</sup>.

However, to create such a strong decentralization many preconditions have to be met. Just to mention a few ones - and apart from size – an outstanding requirement can be a kind of prehistory of a territorial entity which creates the possibility of a regional cohesion. Furthermore, the relative spatial homogeneity, the effective regional internal structure, the costs of creating the region and the existence of a multifunctional regional center can be pointed out.

Reflecting to Eastern and Central Europe many conditions seem to be very unrealistic but Poland for example can be mentioned as an exemption.<sup>3</sup> The fact that in these unitary states the ideas of vertical power sharing and horizontal cooperation with a strong civil society still seem to be unusual leads to the creation of regions as ‘forms without content’<sup>4</sup>. Therefore, it has a great importance to cite countries which have realized the strongest way of regionalism, such as Italy, and to present the success of Lombardy, as it could inspire the Eastern and Central European politicians and law makers, and last but not least, the active part of the civil society. The role of the latter seems to be pre-eminent as the most successful regions have always had a bottom-up source.

### *Theory and empirics*

‘Subsidiarity Governance’ is the title of the book edited by Alessandro Colombo. It has two parts which contain totally nine chapters. The first part of the book deals with the ‘model of governance’ which represents a more theoretical and general approach to the regions. In this part of the book a main focus can be found on the concept of subsidiarity. This theoretical concept which becomes an attribute of the form of governance (being not ‘good’<sup>5</sup> for example, but changed to ‘subsidiarity’ or ‘subsidiarity inspired governance’<sup>6</sup>) is analyzed by the editor itself. He points out the double character, the ambiguous dimensions of the concept,<sup>7</sup> as he compares the historically socio-philosophical idea of subsidiarity with the legal term which is a mere competence distributor principle.

The first aspect formulates the moral duty of the larger entities to help the lower one to realize themselves and emphasizes the autonomy of the individuals and their communities in order to use their resources and fulfill their needs. This idea was purely reflected by the famous encyclical *Quadragesimo Anno* by Pope Pius IX.

Lately, following the rescaling tendencies<sup>8</sup> within the nation states and the competences conferral to the European Union a new paradigm has appeared under the label of ‘multi-level governance’.<sup>9</sup> In this multi-level system the central idea is comparable with the wording of the encyclical. We meet the same idea of subsidiarity, however, it becomes a regulatory principle of the vertical separation of power. On the one hand, it defends the lower levels within the European Union, while on the other hand the principle has a counter-function as it legitimizes the action of the higher levels.

The second part of the book analyses different policy sectors, such as education, social housing, health services and innovation. Here, the authors show a wide diversity. Besides the editor we might read texts of eight other researchers. Among them there are two Hungarians as well: Professor Gyula Horváth and Balázs Lóránd, both of them being from Pécs. The other six researchers are from different parts of the world: Lester M. Salamon (John Hopkins University), Philip McDermott (Auckland University), Charles L. Glenn (Boston University), Helen Haugh (Judge Business School), Michael Kitson (Cambridge University) and Gerard van Bortel (Delft University).<sup>10</sup>

This part of the book has the greatest added value to the topic. Namely, the problems of governance occur in the everyday life, politicians and citizens face many new challenges. Likewise the European Union itself

<sup>2</sup> Gyula Horváth: *A Horner's Nest or the Climax of the Change?* In: Alessandro Colombo... 44.

<sup>3</sup> Lately, Romania could have become an exception but the Constitutional Court has found both the constitutional amendment dealing with the introduction of administrative regions and the act on decentralization unconstitutional.

<sup>4</sup> Horváth... 45.

<sup>5</sup> In Hungary about the turn of ‘good governance’ see works of István Stumpf and Gábor Fodor G, and recently János Frivaldszky.

<sup>6</sup> Colombo... 12.

<sup>7</sup> Endre Orbán: *A szubszidiaritás kettős arca*, under publication

<sup>8</sup> Ilona Pálné Kovács: Középszintű reform és/vagy területi léptékváltás. *Új Magyar Közigazgatás*, 2010/1., 13-20

<sup>9</sup> Attila Ágh: A közpolitika változó paradigmái: az érdekcsoportoktól a többszintű kormányzásig. *Politikatudományi Szemle*, 2011/1., 31-48.

<sup>10</sup> László Csaba: Subsidiarity Governance (book review), *Tér és Társadalom*, 2012/4., 114-115.

had to be strengthened along with the crises of governance from which the newest economic and euro crises seems to lead to a new form of fiscal governance.<sup>11</sup>

It has to be admitted that there are many areas where the centralized overview can be the solution. But on the other hand, a lot of issues should be treated on lower level. Of course, the nation state might be afraid of losing its prerogatives; therefore in many countries the state itself may be the biggest obstacle in the way to strengthen the lower levels of the state structure. Especially in Central and Eastern Europe politicians tend to believe in central coordination better than ever in the last 20 years.<sup>12</sup> In this context this book has a primary importance to underline the outcomes of a successful decentralized solution. But of course, one must bear in mind that a regional model cannot be generalized and applied simply formally to other countries or even within a country from one part to the other parts of the country.

In addition, one must not forget that the Italian regionalism has taken a long trip up to the present situation.<sup>13</sup> However, the process of regionalism is still not at his final point. Thus there are debates on the changing of the Senate of Italy in order to create the 'house of regions' and in this manner to complete the federal project. Till then one might talk about a so-called asymmetric regionalism,<sup>14</sup> where the regions have many opportunities and rights and it depends on them how they will take advantage of their possibilities.

As regards Lombardy, it has been one of the most developed regions of Europe long time ago. Here is the highest population density of Italy and the greatest wealth. 15.6 percent of the Italian population live here and Lombardy produces 20 percent of the Italian GDP. Furthermore, 15 percent of all national enterprises are located here and Lombardy is definitely the major financial center of Italy.<sup>15</sup>

The so-called 'limited system of constitutional regionalism' makes possible to realize Lombardy's own governmental structure. Consequently, from 1990s more and more power was transferred to the level of the regions according to the principle of subsidiarity. Therefore the main thesis of the book is to present Lombardy as a model of subsidiarity governance.

The procedure goes together with the changing role of the state according to the tendencies of the twenty-first century when one can observe an increasing mobility, an uncontrolled flow of information and the dismantling of traditional borders.

The regional answer for the new challenges claims a huge level of trust among the parties and not only vertically between the state organs but also horizontally between the public sector and an active civil society. In this model the civil society takes many responsibilities.

The essence of the whole procedure is the support of the quality of life of the people and not solely the mere economic growth. Therefore, a huge number of voluntary associations and nonprofit organizations play an outstandingly important role in the mechanism of this model. At this point comes into play the so-called horizontal subsidiarity which means the involvement of small and intermediate units of the society such as the family, the church and other organizations as a form of the so-called bottom-up decentralization.

This is supported by an innovative ambience and a high level knowledge transfer: 12 universities are located in the regions and 21 percent of the total Italian expenditure on research and development is spent here<sup>16</sup>.

As regards the competences of the regions one might find increased or exclusive ones. There are areas of classical absolute state competences such as foreign affairs, defense or currency. And many competences are shared with the National Parliament and Government, such as foreign trade, the labor market, education, health, major transport infrastructure, energy, research, communications, the environment and culture.

The head of the regional government – called president – is elected directly. He is responsible for the outcome of the policies and he appoints his ministers. In addition, the Regional Council represents the citizens. It has eighty members and has the task to define the regional policies and to enact legislation. The administration consists of Directorates Generals who support the work of the president and ministers and there are many committees to handle cross-sectional coordination.

In the Lombard model subsidiarity can be detected as an ideological background, better said as a leading

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<sup>11</sup> Paul Craig: The Stability, Coordination and Governance Treaty: Principle, Politics and Pragmatism. *European Law Review*, 2012/3., 231-248.

<sup>12</sup> As an overview of the changes in Hungary regarding local governments see: György Gajdushek: Változások az önkormányzati rendszerben: egy értelmezési kísérlet. *Fundamentum*. 2012/2. 61-73.

<sup>13</sup> Balázs Brucker: *Regionális reformok Olaszországban*. In: Ilona Pálné Kovács: *Regionális reformok Európában*, TÖOSZ, Budapest, 2005., 44.

<sup>14</sup> About an analogue category regarding the symmetric and asymmetric federalism see: Zoltán Sente: *Európai alkotmány- és parlamentarizmustörténet 1945-2005*. Osiris, Budapest, 2006., 572.

<sup>15</sup> Balázs Lóránd: *An Unfinished Journey*. In: Alessandro Colombo... 53-54.

<sup>16</sup> Balázs... 54.

principle. The implementation of the principle is realized through the so-called quasi market system. However, the relation of these two concepts is quite complex. On the one hand, the quasi market needs the presence of the profit, but in the subsidiarity model there might be nonprofit solutions as well. On the other hand, in the quasi market the competition and freedom of choice are the most important elements while in the subsidiarity model some additional features have primacy, such as the trust and responsibility. Therefore it becomes very important to support the private sector to build partnerships. For example the government uses the so-called voucher system which means that they give direct support for the users and the user itself is entitled to an amount of money to choose among the offers. For instance in the case of schools a family may choose among the public and the private schools as well, so schools of private companies are also entitled to public funds.<sup>17</sup>

As it can be seen, this quasi-market concept<sup>18</sup> claims to introduce market-type relationships into the publicly funded services. Therefore it is important to realize the separation of the financing and the provision of services. Secondly, as it is shown through the voucher system, the producer-side subsidies have to be replaced by the consumer-side subsidies. Finally, thirdly, the state has to encourage the open competition among the providers. Consequently, this approach inherently tries to break up the monopoly of the public sector to provide public services. Of course, this goes together with another challenge, as the nonprofit providers have a structural disadvantage and they need more capital than the profit oriented providers have.

### *Final remarks*

The need of capital is a key point of the book which shows the path dependence of the model. It is admirable this central role of the consumers and the plurality of the offers and this can be realized in the rich and wealthy Lombardy. It is not surprising that Lombardy in economic terms is part of the most efficient regional cooperation named 'Europe's Four Engine'<sup>19</sup> which comprises Baden-Württemberg, Lombardy, Rhone-Alpes and Catalonia. However, it is questionable when and at which economic step could work the Lombard model as a good solution in an economically weaker region.

In addition, Lombardy is an important actor of the richer northern part of Italy, Padania. The economic differences between Padania and the southern part of the country, Mezzogiorno, are burdened with historical tensions, as well. However, one must note that this kind of geographical attribution is not a simple Italian characteristic. It is enough to think about the geographical structure of Hungary where an eastern-western dividing line together with the opposition of the capital and the rest of the country can be detected.<sup>20</sup>

Therefore, one must not forget about some positive effects of the EU's regional policy. On the one hand, it starts a discourse about the optimal state structure even in the unitarian context of the Central and Eastern European countries. On the other hand, the financial aid of the European funds claims at least the realisation of the so-called planning-statistical regions which can be assessed as a first and motivating step toward the creation of a good functioning 'subsidiarity governance'.

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<sup>17</sup> About the educational system, see: Charles L. Glenn: *Subsidiarity and Education in Lombardy*. In: Alessandro Colombo... 113-133.

<sup>18</sup> Lester M. Salamon: *Subsidiarity and the New Governance*. In: Alessandro Colombo... 24-27.

<sup>19</sup> Horváth... 42.

<sup>20</sup> However, one must bear in mind that such a dichotomy simplifies the debated issue. See: György Enyedi: *Regionális reformok a poszt szocialista Magyarországon*. In: Imre Lengyel - János Rechnitzer (ed.): *A regionális tudomány két évtizede Magyarországon*. Akadémiai Kiadó, Budapest, 2009, 121.