

## **URBAN TRAFFIC, ACCESSIBILITY, AND PROPERTY PRICES**

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**ABSTRACT** Urban economic theory predicts that differences in transportation costs across space are capitalised in land values. Costs derived from accessibility to work opportunities are fixed once a household makes a location decision, but other costs may vary. An important aspect of transport costs in many urban areas is congestion, a common feature of daily travel that drives planning prescriptions for land use, passenger transport, and system management. This study analyses the value of accessibility and congestion as reflected in residential property prices, using the hedonic estimation technique with spatial inputs. The results show that traffic congestion is not a significant determinant of house prices. Two possible interpretations of this finding are that the costs of congestion are borne entirely by commuters, and that decentralisation has weakened the capitalisation of traditional measures of employment subcentre accessibility.

### **1. INTRODUCTION**

Analysis of the relationship between transportation systems and residential land prices has been a mainstay of urban economics since Alonso (1960) first extended classical location theory to housing markets. Following this insight, models of household location in relation to transport systems were initially formalised by Alonso (1964), Muth (1961, 1969), and Mills (1967, 1972) and extended by Wheaton (1974) and Anas (1982) among others.<sup>2</sup> These models assume households maximise their utility through consumption of a bundle of goods, including land, subject to a budget constraint. One standard result of all urban models in this tradition is that households trade off transport costs for housing costs when making their location decision. This is the source of the well-known

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<sup>2</sup> The theoretical literature is surveyed in Straszheim (1987).

bid rent gradient. Therefore, lower transport costs that reflect better accessibility at any given location should be offset by higher property prices.

This theory has several implications for urban transport planning. Firstly, positive empirical results would confirm that people make household location decisions in response to transport system characteristics and employment locations. As metropolitan employment patterns decentralise, traffic congestion may not worsen. Secondly, improvements to transport infrastructure should result in higher property values for some locations. One way of paying for transport system improvements may then be some form of benefit assessment as a component of the property tax.

There are several components to the cost of transport, including trip distance, traffic volume, and the value of commuting time. The work trip distance is determined by household location with respect to employment locations and can be considered fixed for a given residential location. Traffic volumes affect travel times when congestion exists. Therefore, travel time is the only component of transport cost that will change once a household has made its location decision.

If in fact accessibility and congestion are important factors in household location decisions, then analysis of house prices over time should reveal their value to commuters. Transport costs are endogenous as household location choices and land prices are jointly determined (Straszheim, 1987). In the presence of congestion, property prices should reflect their locational advantage with respect to transport costs. Bid rents should be greater for properties with better accessibility to frequent travel destinations. In centre-dominated cities, this means that closer properties become more expensive and further-out properties, which incur a larger increase in cost, become relatively less expensive.

This study uses a semi-spatial variation of the hedonic price technique for analysing property prices. In a hedonic analysis, pioneered by Griliches (1971), the components of a composite good are specified separately, and prices are functionally related to the value of individual characteristics. For analysis of residential property prices, those separate components include both housing and neighbourhood characteristics. Recent applications of the technique include a test for neighbourhood quality and macroeconomic influences by Adair *et al* (1998), a very long-run housing price index by Eichholtz (1997), and assessment of the impact of power lines by Hamilton and Schwann (1995). Our study includes local and city-wide traffic congestion among the neighbourhood characteristics. This approach has the distinct advantage of properly accounting for quality change over time.

The current research offers several spatial contributions to the traditional hedonic method. They include using actual travel distances to the central city rather than straight-line distance, explicit recognition of commuting to employment subcentres, and control for adjacency versus proximity to main arterial routes. These spatial features of the analysis were made possible through the use of a geographic information system for data processing. GIS technology enabled rapid geocoding and spatial comparison of the traffic counts and property

transaction records, and in particular, produced accurate distance and proximity measures between those two types of data that became variables for analysis.

## 2. CONTEXT

The study area is the city of Auckland, over the period of 1986-1996. The city is situated on an isthmus and is served by a typically radial transportation network that extends through to adjacent jurisdictions, as shown in Figure 1. The entire metropolitan region is undergoing a process of decentralisation of jobs and residences, traffic is widely believed to be in crisis, and housing prices have increased rapidly over the past five years. In response, the regional government is engaged in an ambitious strategic planning exercise that is partly aimed at alleviating the negative symptoms of these rapid changes.

Table 1 presents aggregate-level evidence of the decentralisation of population and employment. The trends are an absolute decline of employment and a relative decline in population in the central part of the metropolitan area, which contains the central business district, and absolute gains in both population and employment in the suburbs.

The largest employment centre is still the central business district with approximately 13 per cent of regional jobs. In addition to the CBD however, there are significant employment subcentres to the south and east. Subcentres have been defined by McDonald (1987) and extended by Giuliano and Small (1991) as those with a high relative employment density. Using the criteria of relative employment size and the ratio of employment to residents in the immediate area, seven subcentres were clearly dominant over other employment locations in Auckland, with approximately two to three percent of regional jobs each. The CBD plus these subcentres account for nearly a third of all employment in the region.

After the cluster of seven subcentres identified above, additional subcentre employment size drops off fairly quickly. Auckland has a limited number of employment subcentres, though anecdotal evidence suggests that this number is growing rapidly. Descriptive data on the subcentres is given in Table 2.

**Table 1.** Distribution of Population and Employment

		Central/CBD	South	North	West	Region
Population	1986	288,876	238,167	162,888	126,999	816,930
	1991	299,625	261,399	176,256	140,961	878,241
	1996	338,161	291,559	202,307	159,769	991,796
% Change		17.1%	22.4%	24.2%	25.8%	21.4%
Employment	1986	223,947	72,522	48,114	33,204	377,787
	1991	190,419	76,251	53,385	33,567	353,622
	1996	197,748	77,889	62,826	35,523	373,986
Change		-11.7%	7.4%	30.6%	7.0%	-1.0%

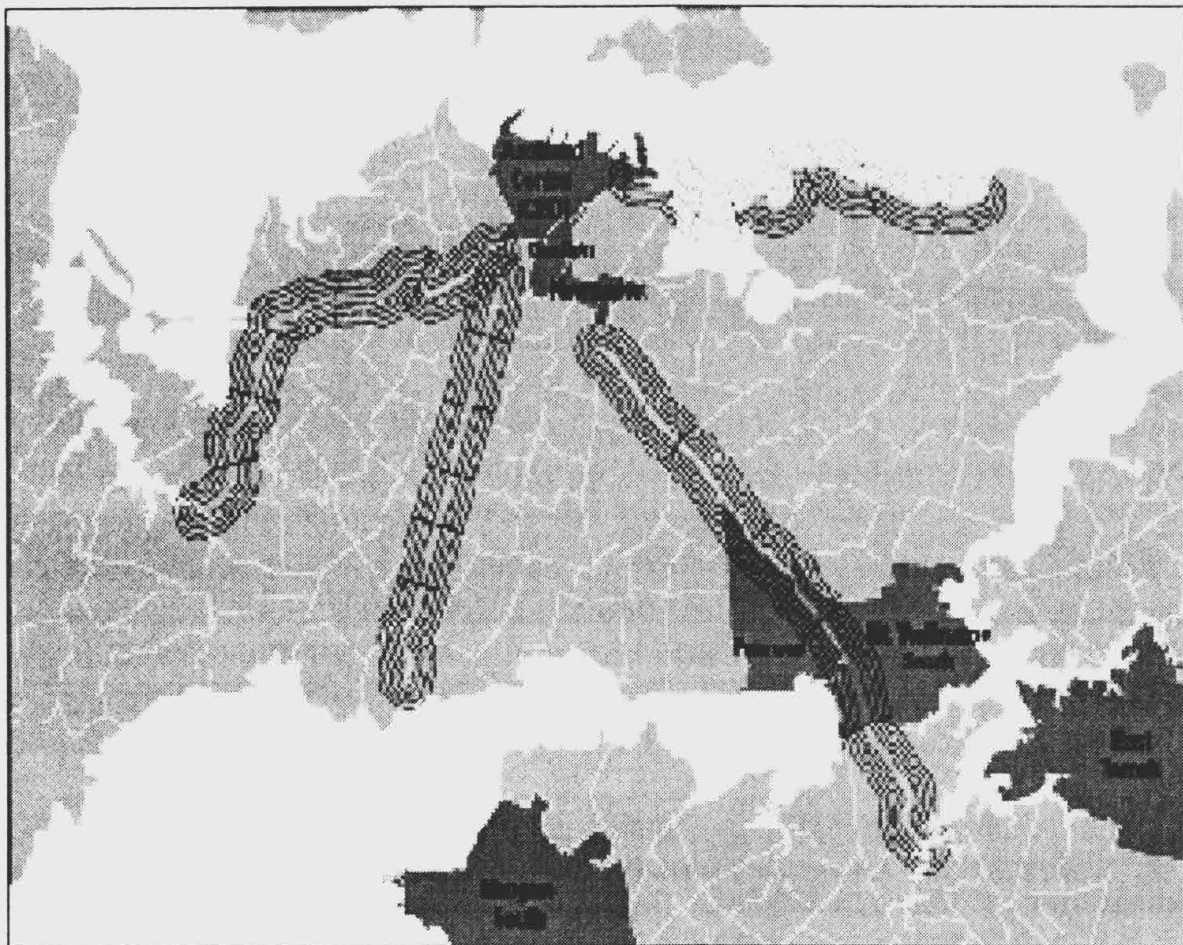
Sources: Statistics New Zealand 1997, ARC Environment 1995

**Table 2.** Employment Subcentres

	Employment	% of Regional Employment	Employment per Working Resident
Auckland Central / CBD	49,440	13.4	84.9
Manukau Central	11,370	3.1	12.2
Penrose	8,805	2.4	41.3
Mangere South	8,724	2.4	9.8
Grafton	8,595	2.3	18.2
Mt Wellington South	8,334	2.3	5.8
East Tamaki	8,316	2.3	24.1
Newmarket	7,515	2.0	15.6

Source: Statistics New Zealand 1992

Four main commuting routes were chosen for this study: Great North Road, Dominion Road, Great South Road, and Tamaki Drive. The locations of the routes and the employment subcentres are shown on Figure 1.



**Figure 1.** Employment Subcentres and Commuting Routes in Auckland

These four routes offer a good test of the capitalisation thesis for several reasons. Firstly, due to the importance of the city centre for employment, the largest gross flows of commuter traffic follow their radial pattern focused on the CBD. Secondly, they have been designated as strategic transport routes into the central city in regional transport plans, with consequent intense interest in their capacity (ARC Environment, 1995). Thirdly, it is interesting to note that these four routes represent diverse geographic and socioeconomic areas of the city in terms of average incomes, property values, and popular status. Descriptive statistics on the areas along these routes are given in Table 3.

**Table 3.** Description of Commuting Routes and Areas

Variable	Dominion Rd		Great North		Great South Rd		Tamaki Dr	
	Mean	SD	Mean	SD	Mean	SD	Mean	SD
Sale Price	175,096	77,509	143,273	63,656	195,755	109,203	302,276	149,569
Commuter traffic	10,965	857	13,980	1,442	9,227	920	11,776	573
Local traffic	9,785	2,149	13,325	2,165	9,088	913	12,396	808
Distance to CBD	3.7	1.9	4.0	2.6	4.0	3.0	5.6	2.3
CBD work probability	0.283	0.053	0.291	0.052	0.221	0.085	0.342	0.031
CBD expected wage	11,407	3,236	10,928	2,970	10,042	4,788	16,723	1,416
E work probability	0.051	0.010	0.036	0.005	0.125	0.076	0.056	0.012
E expected wage	1,997	298	1,328	174	4,930	2,543	2,744	597
S work probability	0.032	0.010	0.021	0.006	0.048	0.020	0.032	0.003
S expected wage	1,270	400	765	223	1,945	551	1,562	258
Floor Area	124.3	40.1	109.8	28.4	128.1	42.1	157.7	57.1
Land Area	507.5	309.7	419.2	289.6	498.1	374.7	470.6	389.6
Value of Chattels	8,088	4,496	6,538	3,596	8,842	6,265	12,986	7,537
Age of structure	58.8	24.0	61.8	25.1	53.0	26.3	41.9	23.5
% European	68.0	11.9	59.4	11.1	68.7	18.1	87.3	9.4
% Maori	7.7	3.1	10.3	2.3	9.0	6.0	5.1	5.5
% Pacific Islander	14.3	8.8	24.1	9.8	11.2	10.3	3.0	3.8
% School age	19.2	3.4	18.7	1.9	20.0	2.7	15.9	1.9
% Working age	61.8	6.7	62.2	4.7	61.7	3.1	62.0	3.7
% Retirement age	10.8	3.6	10.7	5.3	10.7	2.6	16.7	3.1
% with tertiary qual	46.6	8.5	41.1	4.9	46.5	10.3	55.8	4.1
% with secondary qual	22.6	1.6	22.0	1.7	22.4	1.7	23.1	1.4
% with primary qual	4.3	1.2	4.5	1.6	4.2	0.5	4.7	0.7
% with no qual	26.5	8.5	32.4	5.0	26.9	11.8	16.4	5.3
Average income	39,709	5,409	36,973	4,230	42,758	7,178	49,017	3,908

Sources: Valuation New Zealand, Statistics New Zealand 1992

### 3. METHODOLOGY AND DATA

A hedonic regression is used to estimate a price equation for single-family dwellings. This approach models property prices as a function of housing and neighbourhood characteristics. The function is:

$$P_i = f(H_i, N_i, C_i, A_{ic}, A_{io})$$

where

- $P_i$  is the price of a house at location  $i$
- $H_i$  is a vector of house characteristics
- $N_i$  is a vector of neighbourhood characteristics
- $C_i$  is a measure of congestion
- $A_{ic}$  is accessibility to the CBD
- $A_{io}$  is accessibility to other subcentres

To keep the focus on transportation issues, the neighbourhood attributes of accessibility and congestion are identified separately so that we may estimate the price effects of congestion and accessibility. Specifically, it allows us to test whether worsening congestion is in fact capitalised in house prices.

We assume a single housing market with constant relative prices for all characteristics, a traditional hedonic specification (Can, 1992). This technique has been used successfully for very long series, up to 350 years, by Eicholtz (1997). Although the data span a 10 year time period, the panel of housing units is different in each year. There is therefore no autocorrelation between the variables, as the data are cross-sectional.<sup>3</sup> We control general price trends over time through a series of year dummies, and general neighbourhood character through a series of vintage dummies by decade, in effect constructing a price index.

### 4. PROPERTY DATA

The property prices used in this study are actual transaction prices for single family homes sold between 1986 and 1996.<sup>4</sup> Property characteristics in the database include the size of the house and lot, value of chattels, age, and condition of several aspects of the structure. The total number of properties used in this study was approximately 6,000.

Only properties within 500 meters of the commute routes were selected to increase the probability that commuters from those properties would travel on the

<sup>3</sup> Including spatial or spatio-temporal autocorrelation, however, would add sophistication to our model. The studies by Gelfand et al. (1998) and Pace and Gilley (1988) suggest that allowing for these effects improves the efficiency of the estimators, but it is less clear whether doing so would significantly change the coefficients in the hedonic regression.

<sup>4</sup> The data were supplied by Headway Systems from Valuation New Zealand, the government department charged with maintaining valuation records for New Zealand properties.

routes. We include the probability of working in the CBD, to further control for the importance of access to the nearest major arterial.

A peculiar characteristic of the data is a large number of properties for which no land area is recorded. We include a dummy variable in the analysis to capture the average land value of these properties, as excluding them would introduce a sample selectivity bias of unknown size. We control general price trends over time through a series of year dummies, and general neighbourhood character through a series of vintage dummies by decade.

## 5. NEIGHBOURHOOD DATA

Several site-specific variables have been included in the analysis. The distance from the commute arterial is used to measure the disamenity of location near a high-volume route. We make a distinction between properties adjacent to arterials, which would be expected to suffer from proximity to traffic, and properties incrementally further away, which would be expected to enjoy the access provided by the arterial without the negative effects of proximity. We therefore include measures of proximity in 100m increments to test the expectation that negative effects decline with distance.

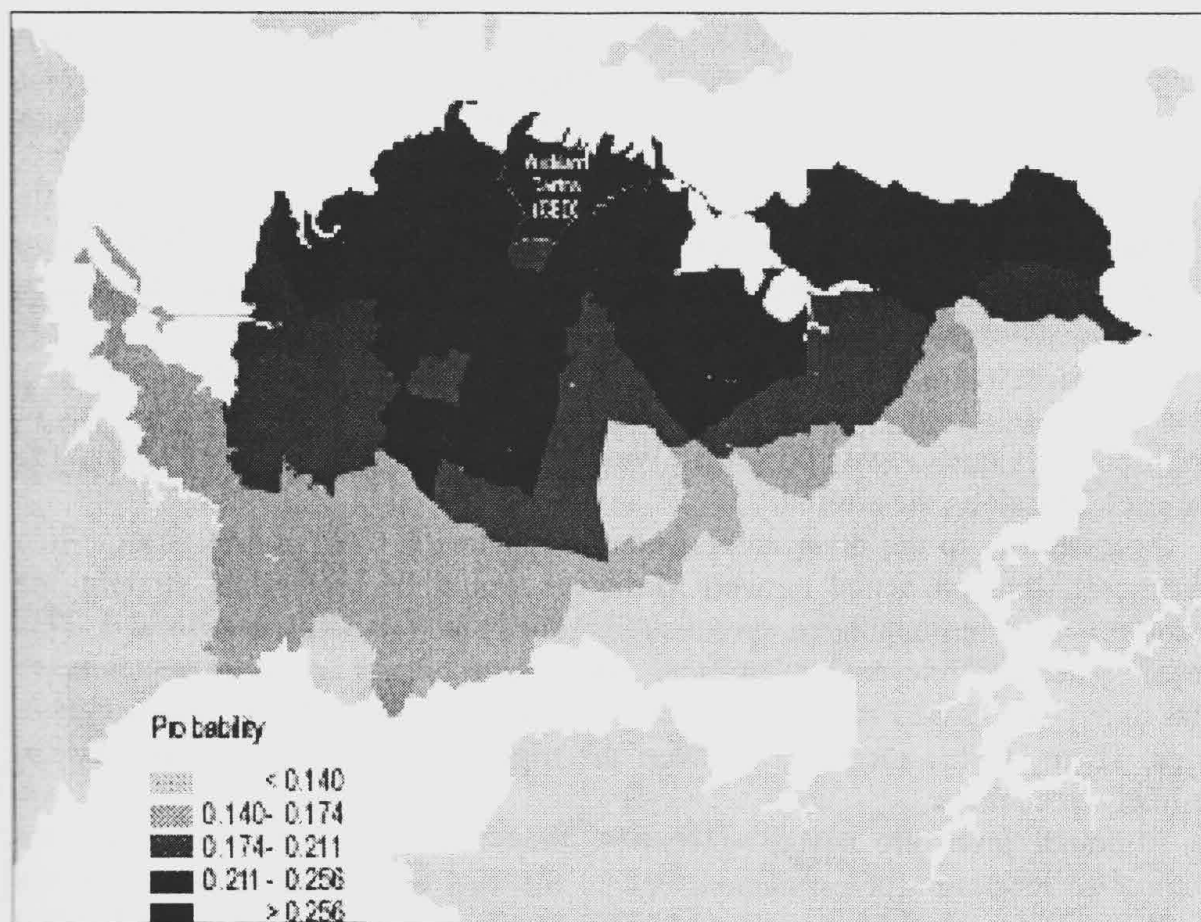


Figure 2. Probability of Commuting to the CBD

Variables for employment location represent the probability of working in the CBD and other employment subcentres. They have been constructed from data on the origins and destinations of work trips by Census Area Unit (Statistics New Zealand, 1992). An example of these data is shown in Figure 2, which maps the probability of CBD employment.

Variables for expected wages represent the average wage for the neighbourhood. They were constructed from the probability of work destinations combined with census data on average wages at each employment location. The census measure of average household income is not needed separately as it is colinear with these expected wages. Ethnicity and age distribution have been used to further control for neighbourhood socioeconomic character. All area data have been calculated at the Census Area Unit level, of which there are 329 in Auckland City.

## 6. TRANSPORT DATA

Accessibility is the most important area feature that determines land prices. Though the early urban economic theory considered accessibility to work in the CBD as a primary factor in property prices, the modern concept of accessibility includes the full range of potential destinations and the routes and modes that are used to reach them. There is an extensive literature on the issues of specification and measurement of accessibility (see Handy and Niemeier, 1997 for a recent review and examples). Recognising that a more detailed specification than simply distance to the CBD is desirable, this study includes seven other major employment sub-centres and focuses on the work trip.

Accessibility to the city centre is measured as network distance along the main arterial route. From a given property, the total distance to the CBD has been calculated as the sum of the straight-line distance to the arterial plus the actual network distance along the arterial to the CBD.

In order to test whether price effects vary with increasing distance from the city centre, the four routes have been divided into a limited number of links of approximately one to two kilometres. We report separately the distance coefficient for each link along the arterial.

Accessibility to the other employment subcentres is measured as straight-line distance. Although actual network distances would be preferable, straight-line distances are a reasonable compromise for subcentres (Heikkila *et al*, 1989). This seems especially relevant in Auckland, where speed limits are the same on major and minor streets and motorway volumes are a small minority of total commute trips. There is little incentive to divert the trip to less direct routes, as they are unlikely to be faster.

Although there are seven subcentres, they have been combined into two composite locations for estimation, one to the east of the CBD and one to the south, weighted by total employment. This is necessary because their individual locations are close together, and by using straight-line distances, colinear with respect to commuting routes from the study areas.



Congestion can be thought of as a reduction of accessibility. This study uses changes in traffic volumes over time as a proxy for increasing congestion. Ideally, actual measures of traffic flow, such as travel times or engineering level-of-service, would be used to measure congestion. However such measures do not exist for very many locations over the study period. Therefore, increases in traffic volumes are assumed to increase congestion levels and hence to lengthen travel times. This assumption is reasonable for the routes and time period chosen in Auckland. The four routes under study are well-known to be chronically congested, especially for CBD-destined work trips. Additionally, over the study period, there have been no lane additions or capacity improvements to these four routes. Therefore increases in volume can reasonably be expected to increase congestion.

A positive relationship between traffic volumes and congestion at the margin has been assumed, and we construct two variables that approximate this relationship.<sup>5</sup> The first is volume on the nearest arterial link, to measure local congestion. The second is the sum of volumes from the nearest link to the CBD, to measure total congestion on a CBD-destined commute.

Traffic counts were obtained for multiple dates within the study period, spanning approximately the same period as the property data, and for multiple points along the commute arterials.<sup>6</sup> This allowed the construction of a traffic index that has been used to interpolate volumes for all points where at least one count existed. Although total traffic volume across the city has increased approximately 20% over the study period, there are important differences along the four arterial routes under study.

Great North Road has experienced smaller than average volume increases along most of its length, with the exception of the two extreme end points. Dominion Road has experienced average increases its entire length. Great South Road has experienced increases that are much greater than average at most points. Tamaki Drive experienced a sharp fall in volumes in the middle of the study period due to a large construction project, and those volumes have for the most part not yet recovered to their previous level. We interpret this variation as evidence of route adjustment by commuters, which could reduce the effect of congestion on prices.

## 7. EMPIRICAL RESULTS

The hedonic equation was estimated in log-log form with sale price as the dependent variable, so that the results may be interpreted as the percentage change in property prices with respect to the housing and neighbourhood characteristics.

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<sup>5</sup> We recognise that a small change in traffic volumes can cause a large change in congestion as a roadway approaches its maximum design flow. By assuming a linear relationship our analysis adopts a conservative approach by potentially under-estimating congestion.

<sup>6</sup> The data were supplied by the Auckland City Council Traffic Operations division.

Table 4. Parameter Estimates

	Dominion Road		Great North		Great South Rd		Tamaki Dr	
	Estimate	t	Estimate	t	Estimate	t	Estimate	t
Intercept	20.194	1.388	<b>-10.190</b>	-2.969	<b>12.249</b>	2.398	-7.118	0.000
Commuter traffic	-1.412	-0.684	<b>2.131</b>	7.874	-0.013	-0.022	0.512	0.426
Local traffic	-0.100	-0.137	<b>-0.565</b>	-4.442	-0.246	-1.017	-0.292	-0.565
Link 1 distance	<b>0.600</b>	5.024	-0.124	-1.904	0.005	0.062	0.160	0.372
Link 2 distance	<b>-0.244</b>	-4.332	<b>0.106</b>	4.719	<b>-0.283</b>	-6.436	0.008	0.051
Link 3 distance	-0.053	-1.892	<b>0.068</b>	2.469	<b>-0.172</b>	-2.927	-0.105	-1.370
Link 4 distance	-0.119	-0.768	<b>0.129</b>	4.725	-0.121	-1.413		
Link 5 distance	-0.064	-0.393	<b>-0.047</b>	-2.162				
Link 6 distance	-0.040	-0.374	<b>0.046</b>	2.183				
Within 100m of	-0.003	-0.161	<b>-0.060</b>	-3.322	-0.003	-0.097	<b>-0.218</b>	-4.962
Within 200m –	0.012	0.911	<b>-0.037</b>	-2.824	-0.034	-1.692	-0.043	-1.305
CBD expected	0.147	0.924	0.473	0.498	0.524	1.554	1.302	0.000
CBD work	<b>-2.170</b>	-2.115	0.540	0.120	-5.417	-1.354	-0.904	0.000
E expected wage	-0.041	-1.934	-0.495	-0.619	-0.156	-0.577	-2.237	-0.025
E work probability	<b>2.665</b>	2.264	8.105	0.375	-0.810	-0.451	67.465	0.015
S expected wage	<b>0.162</b>	2.854	<b>0.560</b>	4.049	-0.446	-1.805	1.918	0.000
S work probability	<b>-8.695</b>	-3.782	<b>-38.449</b>	-3.926	<b>12.316</b>	1.971	-60.654	0.000
Floor Area in m2	<b>0.449</b>	22.037	<b>0.332</b>	13.908	<b>0.466</b>	15.006	<b>0.620</b>	12.219
Land Area in m2	<b>0.172</b>	6.323	<b>0.094</b>	3.227	<b>0.120</b>	2.771	<b>0.432</b>	4.535
Zero Land Area	<b>1.064</b>	5.984	<b>0.535</b>	2.858	<b>0.754</b>	2.638	<b>2.845</b>	4.498
Value of chattels	<b>0.061</b>	29.020	<b>0.080</b>	31.871	<b>0.035</b>	11.932	<b>0.035</b>	7.113
Age of structure	-0.012	-1.075	-0.005	-0.087	<b>-0.150</b>	-3.431	0.031	0.526
Structure: average	<b>-0.079</b>	-4.316	0.002	0.099	<b>-0.092</b>	-3.898	<b>-0.271</b>	-7.839
Structure: poor	<b>-0.126</b>	-4.166	-0.022	-0.792	<b>-0.125</b>	-3.321	<b>-0.359</b>	-4.844
Walls: average	<b>-0.088</b>	-5.029	<b>-0.074</b>	-4.173	0.001	0.024	0.031	0.608
Walls: fair/poor	<b>-0.194</b>	-6.606	<b>-0.112</b>	-4.320	-0.030	-0.674	0.054	0.411
Roof: average	0.001	0.090	-0.024	-1.367	-0.037	-1.398	0.020	0.378
Roof: fair/poor	0.002	0.077	-0.024	-0.971	-0.055	-1.390	0.146	1.463
Exterior: brick	0.009	0.525	0.018	0.834	-0.014	-0.529	0.011	0.267
Exterior: other	<b>-0.040</b>	-2.450	<b>-0.055</b>	-3.030	-0.019	-0.719	-0.039	-0.932
Roof: tile	0.003	0.234	0.012	0.736	<b>0.070</b>	3.421	<b>0.104</b>	3.180
Roof: other	<b>-0.165</b>	-3.895	-0.050	-1.396	-0.015	-0.294	0.077	1.251
% Maori	-0.033	-0.536	0.137	1.517	<b>0.262</b>	2.353	0.179	0.013
% Pacific Island	-0.041	-1.459	<b>-0.149</b>	-3.821	<b>-0.172</b>	-2.872	-0.273	-0.008
% working age	-0.165	-0.682	0.244	0.645	0.110	0.198		
Vintage 1880			0.140	0.773				
Vintage 1890			0.100	0.589				
Vintage 1910			0.011	0.069	<b>0.463</b>	3.443	-0.120	-0.645
Vintage 1920	<b>-0.039</b>	-2.739	-0.020	-0.130	<b>0.358</b>	2.771	-0.176	-1.077
Vintage 1930	<b>-0.065</b>	-3.258	-0.031	-0.217	<b>0.347</b>	2.772	-0.162	-1.026
Vintage 1940	<b>-0.123</b>	-5.358	-0.084	-0.629	<b>0.263</b>	2.216	-0.004	-0.024
Vintage 1950	<b>-0.177</b>	-7.526	-0.099	-0.803	<b>0.250</b>	2.258	-0.235	-1.694
Vintage 1960	<b>-0.138</b>	-4.603	-0.024	-0.208	<b>0.256</b>	2.477	<b>-0.293</b>	-2.128
Vintage 1970	<b>-0.123</b>	-3.246	-0.028	-0.233	-0.049	-0.408	-0.230	-1.824
Vintage 1980	<b>-0.060</b>	-2.283	0.020	0.305	<b>0.220</b>	3.641	-0.005	-0.067
R <sup>2</sup>	.6567		.6698		.7660		.5834	
N	3665		2906		1541		886	

Note: Coefficients in bold are significant at a < 0.05 level.

First, we find large positive results on the variables for house and lot size as expected. We also find positive results on the vintage variables and negative on the structural condition variables, which confirm that neighbourhood condition is an important determinant of housing prices.<sup>7</sup> These variables apparently serve as indicators of overall neighbourhood quality, as suggested by Bartik and Smith (1987).

Second, and most importantly for this study, property prices in the study area do not respond to worsening congestion. For three of the four routes, the coefficients on the traffic volume variables are insignificant (for both local and CBD-focused commuting trips), and for the fourth route the commute variable is of the wrong sign.

Third, accessibility to the city centre is for the most part not capitalised in prices along these routes. For one part of Dominion Road and two parts of Great South Road, the distance variables are significant and of the correct sign, showing decreasing prices with increasing distance from the city centre. Along Great North Road however, the coefficients on five of the six distance variables are positive, showing that properties further from the CBD are more valuable than are closer properties. This is also true of the first link on Dominion Road. For the other routes and links the results are insignificant.

Furthermore, there are different price effects for accessibility at different points along one of the routes. The percentage change in price due to distance along Great North varies significantly, from zero to positive to negative then back to positive.

Fourth, there is limited support for the hypothesis that access to employment subcentres has value. On Great South Road, the probability of employment in the southern subcentres has a positive and significant coefficient, whereas on Dominion and Great North roads that variable has a negative coefficient. Since the first road represents better access to the south, and the latter two roads represent more difficult access to the south, this would be expected. However we would have also expected a positive result for the probability of employment in the eastern subcentres for Tamaki Drive and possibly Great South as well, and we would not have expected the positive result on Dominion Road.

Finally, there is limited support for the hypothesis that the value of being adjacent to a main commuting route is capitalised in prices, but no support for the value of proximity to an arterial. Along Great North Road and Tamaki Drive, the coefficients are negative for locations adjacent to the arterial. For all locations proximate to arterials the results are insignificant.<sup>8</sup>

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<sup>7</sup> Note that the structural condition variables are for "average" and "poor" quality.

<sup>8</sup> The coefficients on the bands at 200, 300, and 400 m were restricted to equality due to colinearity between them.

## 8. CONCLUSION

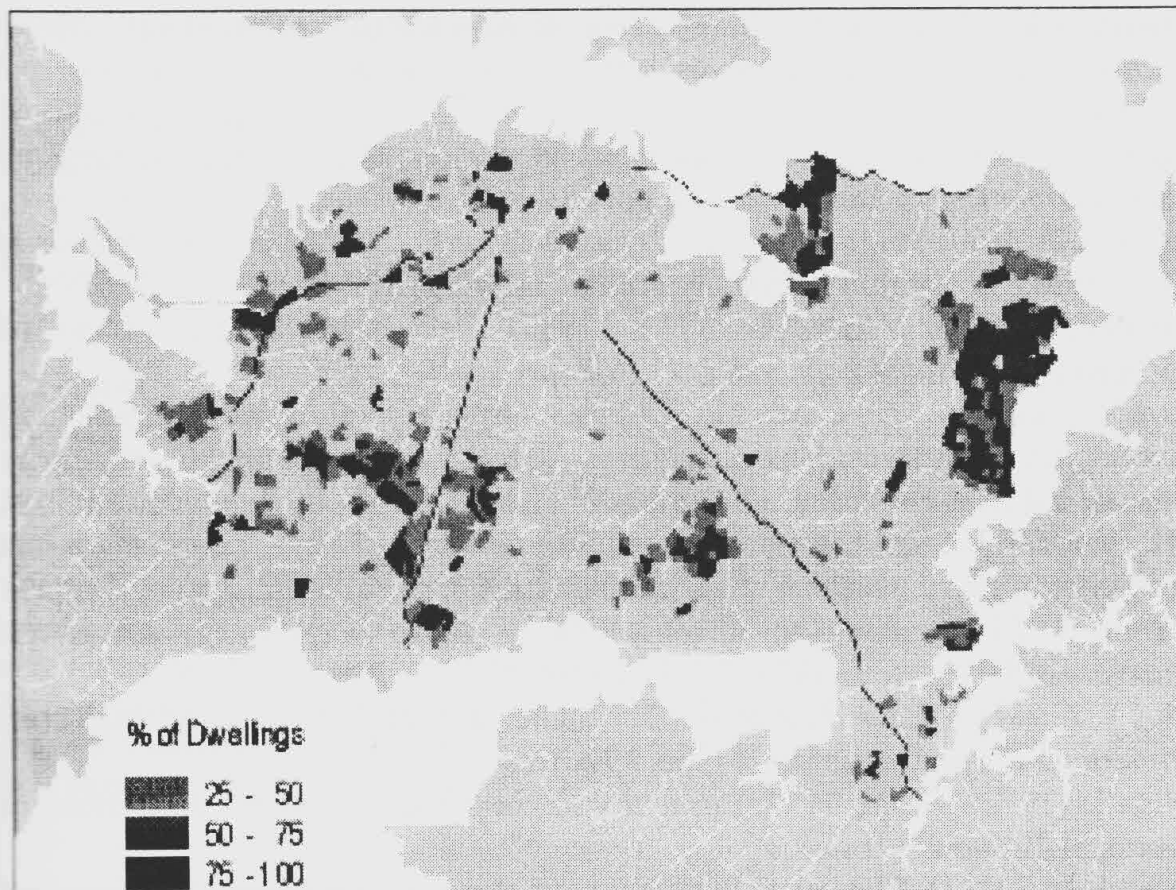
Our results are inconsistent with standard urban economic theory as usually applied to cities with clearly dominant employment nodes. Three possible interpretations are suggested.

First, it may be that decentralisation of employment has weakened the capitalisation of traditional measures of employment accessibility. Voith (1993) showed that access to the CBD was an important determinant of suburban house prices, despite the existence of multiple suburban employment nodes or the destination of a particular homeowner's commute. In that case, however, there was evidence that increasing decentralisation was diminishing the value of access to the central city over time. Auckland's employment is rapidly decentralising, as evidenced by the 70% of jobs that are not located in an identifiable sub-centre. It may be that traditional access advantages as measured by distance and cost to centres are becoming increasingly less important. If residents are not travelling to the CBD or other sub-centres, and are able to successfully adjust their commute to routes that are less congested on average, then those characteristics may not be capitalised.

Second, it is possible that the costs of congestion are borne entirely by residents during the daily commute. Although theory predicts capitalisation of variations in transport costs, in reality land markets are not perfectly efficient.

Third, there may be unspecified neighbourhood effects that override differences in transport costs. These effects could include de facto school zoning, leisure opportunities, and popular status. Although the vintage variables capture some element of neighbourhood quality, there is more variation between areas than the 10 categories these allow. For example, Figure 3 shows the distribution of public-sector housing in Auckland. The largest concentration of public housing, which is popularly believed to be an undesirable neighbourhood characteristic, corresponds roughly with the downward price effect seen in the 5<sup>th</sup> segment of Great North Road.

This research has shown that spatial proximity to commuting routes and likely employment destinations can be analysed in a traditional hedonic pricing approach. The spatial extension to the hedonic price index, facilitated through GIS analysis, would apply in a more ambitious spatial context. The unexpected results suggest that there is more work to be done on specification of decentralised commuting patterns before this approach will yield detailed information on the value of congestion to commuters.



**Figure 3.** Distribution and Concentration of Public Sector Housing

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## ENGLISH REGIONALISM WITHIN EUROPEAN UNION

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**ABSTRACT** This paper reviews the traditional theoretical interpretation of England as a unitary state centred on London but now confronted by the federal nature of the European Union and associated concepts of structural *cohesion*, *integration*, *governance*, *subsidiarity* and *additionality*. Taken together, these concepts now threaten the foundations of the distinctive English legal form of *sovereignty*, despite conservative resistance for most of the twentieth century. The devolution of power to Scotland and Wales as regional assemblies during the 1990s and the adoption for England of elements of a regional tier of administration have not yet been articulated as a new constitutional paradigm. While the United Kingdom moves closer to a European form of federalism, the ultimate challenge of the post-millennium is to retain public and international *confidence* and *trust* in an emerging new three-tier system in which *regional identity* needs to be established.

### 1. INTRODUCTION

During November 1993, the European Union became a reality - on the basis of final ratification of a treaty known colloquially as the Maastricht Treaty. Much of the Union is built upon a federal platform of new legal concepts relevant to government and the geographical allocation of its powers. This paper outlines the difficulty confronting English acceptance of a new language which goes far deeper than usage and literature first suggests, challenging the very foundation of longstanding constitutional relationships. As a framework for analysis, it should be recognized that at the time of European Union, the United Kingdom ranked as the only member state lacking any regional legislature. In addition, the traditional theory that it functioned as a unitary state appeared to be contradicted by endemic civil conflict in Northern Ireland, two apparently 'stateless nations' each seeking separation (Scotland and Wales) and three of the Union's eight micro-states (Jersey, Guernsey and the Isle of Man) which each operated their own taxation laws as a form of economic independence (Harvie, 1994, p.1). Two persistent questions which remain today are "How is a sovereign 'unitary' structure to be defended or even retained?" and "In what form should powers of government be decentralised or devolved from the centre to regions without loss of public confidence?"

Four interlaced themes are examined here:

- Public *confidence* in any government, national or local, is based upon economic and social *security* and *trust*.
- The English conception of a centralist *unitary nation-state* extends back to an

interpretation of classical history and subsequent legal fiction of *parliamentary sovereignty* and the *supremacy of law* for its roots, with centralised use of legal powers of 'crown' authority to provide and preserve the freedom of exchange and commerce essential to security and trust.

- The emerging concepts of European Union *cohesion* and *integration* offer an alternative supranational federal system of economic and social order which shares the responsibilities for security geographically as a less centralised structure which redistributes these responsibilities as equitably as possible across a regional framework according to interpretations of democratic *governance* as the foundation of trust, responsibility and *regional identity*.
- A contradiction and hiatus is created where national policy developed within a unitary system lacks an adequate regional framework for translation of *European Union governance* and *regional policy*.

## 2. DEFINITIONS

The terms *confidence* and *trust* as examined by Seligman (1998) identifies that 'confidence' rests on the knowledge and predictability of actions whereas 'trust' is interaction in the absence of knowledge (a pre-eminently modern phenomenon which has emerged with moral privileging of the private realm and individual conscience). As the foundation of any national or regional system of economic and social order, 'confidence' is established through the personal and public experience of observed individual and group or institutional behaviour. Confidence is based upon reputation, hearsay and active communication about individual or institutional performance and may be strengthened or reinforced through codes and standards of social conduct, professional rules of ethics and a formalised system of justice. Levels of confidence may be raised through use of a common language, a common set of procedures (including constitutional law), a common system of currency and agreed values of trade and social exchange. Geographical examples of confidence-raising include promotion of Welsh as a regional language and adoption of the Euro by some European nation-states. Confidence and trust are essential ingredients for the security of modern life and relate to political leadership, use of a banking system for savings, borrowing or investment, and acceptance of legal judgement. A breach of confidence can lead to a collapse of trust, as in the instance of the corruption of a lawyer or senior official, or the demise of a bank, receivership of a public company or the impeachment of a national president.

Economic and social *security* is a broader concept relative to an entire population of a governed people. Whereas individually each person identifies their personal security in many ways (such as income security from investments in property and capital as personal wealth, or security from a range or type of social relationships, or mental/spiritual security from moral codes and religious values), collective security is a governmental responsibility. Successful governments are those able to win and maintain public trust and confidence through the maximum



amount of economic and social exchange without unnecessary disturbance or interruption. Unstable government, breaches of trust in the leadership, or frequent changes of policy become a threat to economic and social security and may lead to a crisis of public confidence.

The term *governance* has appeared in contemporary literature as a restatement of a belief in democratic processes and values as a basis for economic and social security. In a more limited and peculiarly British meaning, governance has been interpreted as the devolution of legal power and political responsibilities by a central government to lower order representative councils and corporate agencies (including non-government organisations), possibly determined by the security of an economic base and the strength of public opinion, as in the recent creation of the Scottish and Welsh assemblies (Bradbury and Mawson, 1997). However, a proposal for 'global governance', built upon the structures of international law, multilateralism and global economic interdependence (a term preferred to loose use of 'globalisation'), follows a principle of the United Nations Charter "to live in peace with one another as good neighbours". This proposal defined 'governance' as "the sum of the many ways individuals and institutions, public and private, manage their common affairs" (Commission on Global Governance, 1995:2). It is motivated by transformation of 'citizenship' as a concept rooted in territoriality (i.e. as individuals who belong to a polity, local or national, within specified geographical boundaries) towards citizenship as membership of a wider world conveyed by the electronic media, education, travel and migration.

The constituency of 'global governance' is no longer restricted to sovereign governments (international law of human rights now recognizes 'peoples' and individuals as legal subjects) but it is challenged by a need to find mechanisms to control corruption (Pope, 1995), human rights violations (Bloomfield, 1995), human poverty (Wulff, 1995) and threats to international peace (Rothschild, 1995). Regrettably, for many governments, the questionable use of the UN Security Council to counter aggression by Saddam Hussein (Iraq) when associated with selectively orchestrated concern for human rights elsewhere (Cambodia, Bosnia, Somalia, Chechnya, Kosova, East Timor) and amidst suggestions of "suspension of sovereignty", has largely reduced enthusiasm for global governance (Khan, 1995: p.262). In this sense, global governance is no more than an ethic.

Nevertheless, as a collective power of interactive decision-making, a sense of 'regional' governance is interpreted here as a concept accepted by each member state of the European Union which has the overall task of accommodating within its boundaries the emergence of citizens' movements, non-governmental organisations (NGOs), transnational corporations (TNCs) and any other agencies concerned with global or regional issues of social, economic or environmental security. This form of security is reinforced through the powers of the European Court of Justice and the European Parliament. However, governance within the EU exists only in embryonic form. On one hand, the adoption of Agenda 21 at all levels of EU and domestic government and through non-governmental structures as a product of the Rio Earth Summit, has raised international hopes of extension

of governance to other fields of human endeavour (United Nations, 1992, 1997; Whittaker, 1995; Bloomfield, 1998). On the other hand, in the global economic sector, international compliance is less evident and, beyond the EU, only primitive mechanisms exist in a 'borderless world' of highly volatile investment of capital in a speculative global money flow (Ohmae, 1990; Commission of the European Community, 1993). Short-term dictates of national interest across the world economy have cut across hopes of long-term security and failed to forestall massive collapses of public confidence as a consequence of such financial frauds as Australia's Fairfax embezzlement and those perpetrated individually across the English-speaking world by John Bennett's New Era Philanthropy, Oscar Hartzell's Drake Estate, Barry Minchov, Christopher Skase, Nick Leeson and Crazy Eddie (Pressman, 1998).

Within the EU, notions of governance at regional level are possibly best expressed by some of the German *Lander* (eg North Rhine-Westphalia, Baden-Wurttemberg) and have been reinforced by the German *Mittelstandspolitik* which serves as a federal model for regional policy making. The *Lander* also acted as catalysts for EU creation of the *Committee of the Regions* in 1992 as an advisory system of direct local and regional government communication and co-operation at Community level. With the exception of Britain, notions of 'divisible sovereignty' and 'functional federalism' (Birtles, 1990) have long provided a legal basis for an EU programme described as 'the European imperative' for achieving social and economic cohesion within a monetary union and non-tariff environment (Holland, 1993).

*European Union governance* is interpreted as a "strengthening of democratic institutions and procedures of the Community and intergovernmental decision-making" to defend and reinforce individual rights, to allow members of the Committee of the Regions to represent regional interests, and to extend accountability at each level of government (Holland, 1993: p.16). This multi-level public accountability is described by the European Commission as *subsidiarity* or the "division of regional policy functions among different jurisdictions in a multi-jurisdictional process" (Armstrong, 1993, p.576). Under this principle, the European Commission can only undertake actions which it can do better than lower levels of government. To turn this around the other way, subsidiarity requires European activity to be undertaken at the lowest level of governance - a principle which directly threatens sovereign powers of centralised government (Alexander, 1991: pp.97-99).

Two further definitions are needed. *Regional identity* assumes an element of psychological attachment to a region by residents for at least some social or economic functions (e.g. support for a sports team, or preference for trade with a regional business, or a commitment to communications broadcast from a regional radio station). Regional identity assumes recognition of distinctive or unique qualities, possibly within an identifiable geographical boundary, although regional attachment might only be evident as allegiance to a particular city as a regional or local centre. *Regional policy* relates to the resolution of regional socio-economic

problems and can be interpreted as "any activity of the state where the achievement of predetermined spatial aims (economic, political) is the main priority, and exact and specified spatial purposes underline the intervention of the state" (Artobolevskiy, 1997, p.2). Regional policy may have little or no connection with regional identity, but both have become important to regional analysis and the associated assessment of public trust.

Regional policy can include discrete regional programmes of structural funding, local tax levies or cutbacks to some regions, and the re-organisation of geographical and administrative boundaries. Industrial or sectoral policies can form elements of regional policy (e.g. freight subsidy, unemployment relief, or 'crisis' assistance to foster private investment as a counter to business relocation or potential collapse of elements of the labour force). Two 'inalienable' features of regional policy are its *centralised dispensation* from above by a higher level of government (federal or unitary) and its *positive discrimination* of regions whereby advantages are granted to *selected* territorial units (i.e. some regions receive unequal amounts of support or rights from central government). Artobolevskiy (1997, p.3) notes;

*"When all authorities (regional or local) receive state aid in equal part (identical rights), this can no longer be classed regional policy, and is a totally different phenomenon. Moreover, the devolution/decentralization of power frequently contradicts the purpose of regional policy and hinders its realization."*

Such a definition of regional policy should not imply that all initiatives written into and adopted as regional policy are necessarily 'top down' determination by central government. The concept of governance stresses prospects of reverse flow 'bubble' or 'bottom up' initiatives derived from local or regional negotiation or consultation, often through prior co-ordination of regional strategies and agreements. In other words, governance may provide mechanisms for expressing elements of regional identity and confidence as forms of acceptance or ownership of regional policy.

Within the context of EU cohesion, Holland (1993, pp.201-207) distinguishes between *traditional* regional policy which assumed an interregional mobility of capital and labour and *new* regional policy which since the early 1980s has identified an immobility of interregional labour and a highly mobile international flow of capital and labour. Whereas the objectives of traditional policy once concentrated upon the reduction of production costs to promote decentralised industrial development (under the assumption that investment would be encouraged to transfer from core to periphery), the post-1980 EU hypothesis directs regional policy towards interregional networking to increase entrepreneurship, competition, diversification, multi-sectoral development and economic security. Within the spatial dimension of regional policy framework, cities may function as growth nodes, which attract resources, people and capital from a hinterland as well as from the global economy (Holland, 1993, pp.225-226).

As such, urban policy constitutes an element of regional policy (e.g. fostering of more favourable conditions for regional investment, removal of city administration restrictions). In essence, this is a shift from direct central intervention towards more indirect forms of market regulation - a recognition of rising capital sensitivity to geographical location as spatial and regional barriers diminish (Harvey, 1985).

### 3. THE EU GOALS OF COHESION AND INTEGRATION

European Commission concern with regional growth dates from the 1957 Treaty of Rome, which sought 'harmonious' economic development and removal of trade barriers to secure economic integration. However, specific Commission regional policy, supported by a budget to reduce regional differences, did not evolve until creation of the *European Regional Development Fund* (ERDF) in 1975 to "finance investment in industrial, handicraft or service activities, thereby creating new jobs or protecting those already existing" (Commission of the European Communities, 1975).

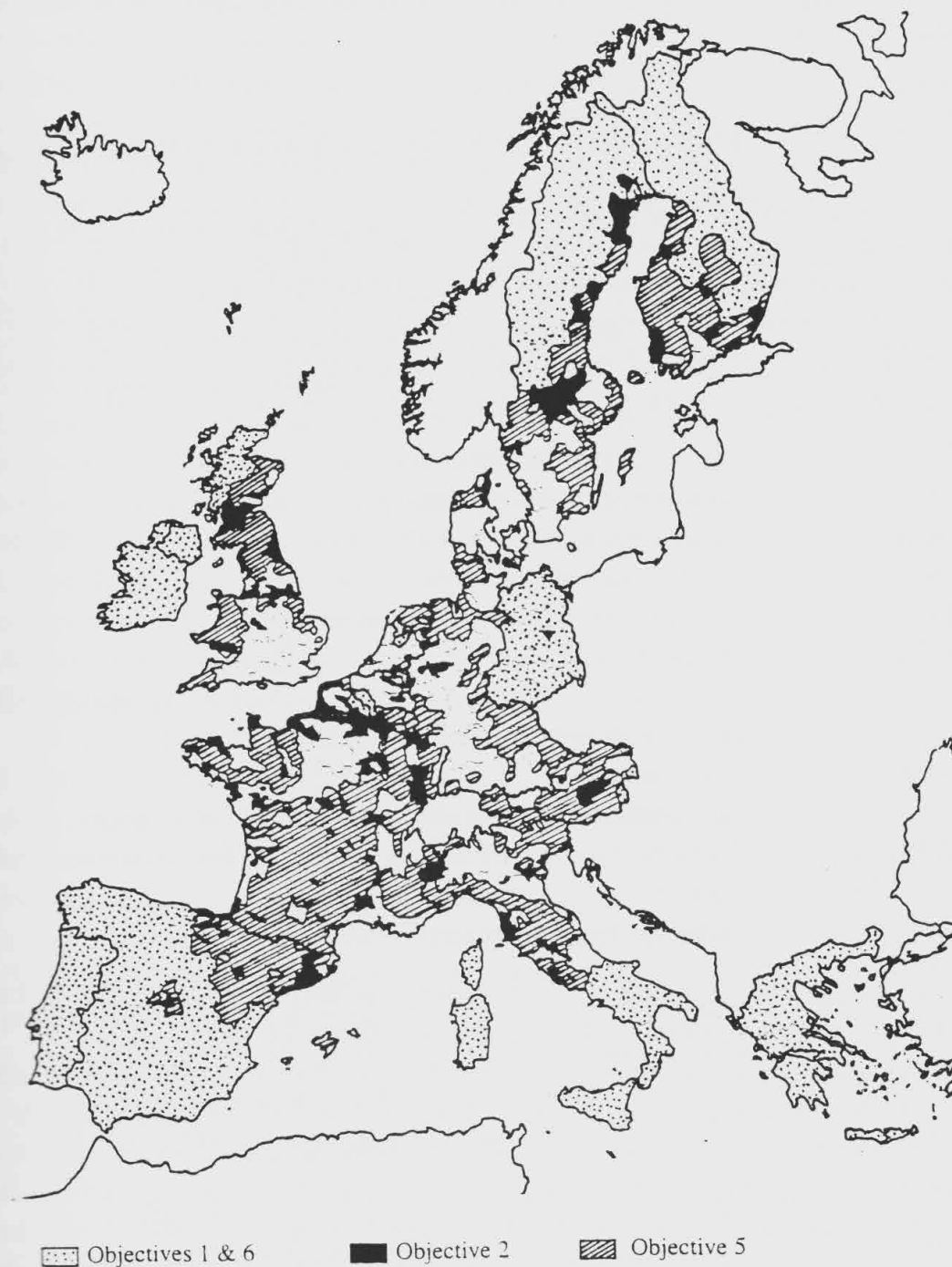
An increasing volume of Commission resources allocated to backward or 'problem' regions, together with expansion of common market membership, led to a tenfold increase in the ERDF budget by 1985 when new regional policy guidelines were introduced to include conversion of declining industrial regions. At the same time, investment became tied to regional development plans (Michie and Fitzgerald, 1997, pp.17-18). Since 1985, with further direction of regional policy under the Maastricht Treaty (December, 1991), additional instruments have been added to Structural and Cohesion Funds (namely, the European Social Fund, the European Agricultural Guidance and Guarantee Fund: Guidance Section and the Financial Instrument for Fisheries Guidance). Overall, these regional funds have been lifted from 7.5 per cent of the Commission's budget (1985) to 36 per cent by 1999 (second only to funding for agriculture). Turok and Bachtler (1997, p.5) are correct to conclude that the structural and cohesion policies of the Commission are "among the most significant areas of EU action in many respects". Much of the focus has been to improve economic and social security, with a direct impact on much of the population and in a collaborative form, which the European Parliament believes, will add relevance and meaning to the concept of a uniting Europe. In essence, the ERDF began as additional expenditure and support for the existing regional policies of the member states (a principle described as *additionality*) but with the passage of time a higher level of integrated Commission regional policy has emerged to promote regional planning according to broader EU objectives (Taylor, 1996, Armstrong *et al*, 1997; Johnson *et al*, 1997). The objectives of regional policy relating to the assignment of Structural and Cohesion Funds are:

- Objective 1: Development of structurally backward regions
- Objective 2: Converting regions in structural decline
- Objective 3: Combating long-term unemployment
- Objective 4: Adaptation of workers to industrial change
- Objective 5 (a): Adjustment of agricultural structures

Objective 5 (b): Development of rural areas

Objective 6 Development of arctic and sub-arctic regions with extremely low population density

Maps showing the regions to which these objectives apply (Figure 1) are issued every three to six years as negotiations between the Commission and national governments which in several instances provide less expenditure on the regions than the EU subventions.



**Figure 1.** Areas Eligible Under Objectives 1, 2, 5 and 6 of the European Regional Structural Funds (1994-1999)

Source: Redrawn and generalised from European Communities reports.

A feature of the Structural and Cohesion Funds is that their local and regional impact are the intended result of principles of policy integration and partnership agreements formed at the local and regional levels. These, in theory, should operate as a decentralised and interactive approach to initiatives derived from local authorities, trade unions, private business and voluntary organizations, as well as national government departments and Commission representatives. An intention is to foster governance as well as local employment and to reduce the remoteness of centralized bureaucracy, with appropriate monitoring of programme performance (Harrop, 1996).

One element of EU regional funding, designed to encourage local innovation, takes the form of *Community Initiatives* (CIs). Co-financed by the Structural Funds, these have become extremely popular, to rise to nine per cent of the 1988-93 Structural Funds budget (Michie and Fitzgerald, 1997, p.24). However, because of objections from several national governments, the 1992 Edinburgh assembly of the European Council restricted creation of CIs to the promotion of cross-frontier, transnational and inter-regional co-operation and aid to the "outer-most regions, in accordance with the principle of subsidiarity" (Commission of the European Communities, 1993, p.11). During 1994, a set of twelve CIs was identified:

INTERREG II	(inter-regional co-operation)
RECHAR II	(coal dependent regions)
RESIDER II	(steel dependent regions)
RETEX	(textile dependent regions)
KONVER	(defence-industry dependent regions)
URBAN	(urban areas)
SME	(small and medium size firms in disadvantaged regions)
PESCA	(fishing dependent regions)
LEADER II	(rural areas)
ADAPT	(adaptation of the workforce to industrial change)
EMPLOYMENT	(employment and training measures for disadvantaged groups)
REGIS	(ultra-peripheral regions)

In addition, two specific CIs relate to the Portuguese textile industry and to the promotion of peace in the Republic of Ireland and Northern Ireland.

A tension has arisen as a consequence of the EU goal of structural cohesion and EU commitment to the *integration process* of achieving political and monetary union under a single European currency. The tension ranges from (i) various national government responses to the dismantling of elements of the legal structure of sovereignty to (ii) a perception that disadvantaged regions or localities may be socially marginalised. Armstrong and de Kervenoael (1997, pp.29-31) stress that the EU "is, above all else, a vehicle for delivering economic integration" with success or failure judged according to the welfare and economic security of its citizens. In regional terms, income disparities are four times greater than in Australia and 2.5 times those in the USA - with the EU core dominated by several

German regions and the Paris Basin. Different economic theories have been debated, with different measures applied to measure EU regional convergence. The only conclusions, reviewed by Armstrong and de Kerwenael, are that regional convergence, if any, has been sluggish but some regions have changed their rank order of GDP per capita (Birtles, 2000). Whereas EU and Member State regional policy appear to have assisted in narrowing regional disparities, other EU policies of integration, especially the Common Agricultural Policy (CAP), as well as labour migration, international immigration and language differences, have exacerbated regional difficulties, stimulated divergence tendencies and challenged public confidence.

#### 4. THE IMPACT OF ENGLISH CONSERVATISM

The United Kingdom is a significant beneficiary of EU structural funds, partly as a substitute for resources lost through reduction of domestic assistance to local government (Martin, 1997, Keating, 1993). Consequently, UK local authorities show an increased awareness and recognition of EU legislation and have developed wider contacts and networks with local government agencies across the Channel. Also, they have generated procedures to increase the direct benefits of investment from EU structural funds. Examples of initiatives include the appointment of a local 'European officer' and 'European Units', the establishment of offices in Brussels (John, 1997, p.242), leadership by Birmingham City Council in the Eurocities Association, the membership of 24 local councils as the UK component of the Committee of the Regions, membership of the European Assembly of the Regions, and such EU networking as the Coalfields Community Campaign.

Nevertheless, regionalism in England has been described as "the dog that never barked" (Harvie, 1991) and has long been totally controlled centrally by laws determined in Westminster parliament and implemented through the administrative machinery of Whitehall. This historic metropolitan concentration and dominance by London is fundamental to understanding of the British polity as a "unitary system without a substantial level of sub-central government" and with a financially dependent local government structure responsible to "the most powerful democratic executive in the world" (Madgwick, 1991, pp.9-11). No other European capital city possesses such a singular authority of domestic rule as London's heritage of absolute command of a commercial empire which was once a global economy embracing a quarter of the world's population (Gamble, 1994, p.xiii).

Such longstanding primacy is based upon a rigid Victorian interpretation of the *sovereignty of Parliament* and the *supremacy of the rule of law*, two principles distinct from earlier European notions of geographical nation-state sovereignty devised from the 1648 Peace of Westphalia. The European Parliament holds to the same British principle of the strength of elected democratic government but the difference is a federal division of powers as the instrument for European security with the preservation of political liberty once expressed by Montesquieu (1748 1,

pp.150-151) and recaptured by American constitutionalists.

The English concept of centralist *unitary government* is an established legal fiction which dates back to the Norman conquest claim of feudal crown title to all of England in 1066 as a 'unitary possession' ratified by the spiritual authority of the Pope in Rome - but its modern form is largely the legacy of one man, Albert Venn Dicey, Vinerian Professor of Law at Oxford during the late-nineteenth century and a key Liberal member of Victorian 'intellectual aristocracy' (Cosgrove, 1980, p.298). Dicey saw himself as the public champion of British 'Union' stability just at a moment when Ireland and the Australian colonies sought 'home rule' as a 'federated' relationship within government (Harvie, 1976). Dicey's thesis of the unlimited legislative authority of Parliament (Dicey, 1885b) transgressed the prevailing rules and geographical application of international law but drew upon the 1689 Act of Settlement, the 1707 Act of Anglo-Scottish Union and the Septennial Act of 1716, as an anti-federalism dogma which he continued to repeat for the rest of his life as distinctly political propaganda (Harvie, 1989; Dicey, 1882, 1885a, 1886, 1887, 1892, 1893, 1895, 1902, 1906, 1913, 1917).

In mood with a government, which had discriminated against the rural poor and the Irish, Dicey's work proved consistently popular as a continuing influence upon twentieth century British constitutional law. A self-styled 'prophet of the obvious', this 'impenitent Benthamite' upholder of traditional common law liberty dismissed other notions of 'rights', including right of assembly and female enfranchisement, as nonsense not recognised by the courts. However, a decade later (Dicey, 1896), he had shifted slightly in favour of central support for welfare funding as social reform - possibly in recognition of the philanthropic value of the local government acts of 1888-94 through which Parliament bestowed public health powers. In accordance with Dicey's interpretation of the legal doctrine of *ultra vires*, local government ever since has not been permitted to undertake any initiatives outside these powers (Pattie and Johnston, 1993, p.48). Within the legal profession and academia, support for Dicey's paradigm of Parliamentary sovereignty has fallen steadily since his death in 1922 but it remained active and alive under the Thatcher and Major governments (Cosgrove, 1980, pp.74-90; Marshall, 1957, 1971, 1984; Dike, 1976; Winterton, 1976; Harden and Lewis, 1986; Jowell and Oliver, 1989; Howe, 1990; Mount, 1992; Hennessey, 1993; Barrett *et al*, 1993; Lynch, 1999).

Dicey's scholarly thesis attracted the support of a close friend, Belfast-born Scotsman James Bryce, Oxford professor of Roman law. Bryce promoted Roman and British models of the unitary state in his equally influential publication, *The American Commonwealth* (1888), but with an inclination which, later, as a Liberal MP, favoured Irish home rule. This became the primary source for Australian interpretation of US federalism and assisted the structure of the 1901 Australian Constitution, despite Bryce's rejection of the United States "as the only country in the world with no capital". Favouring Victorian London, the world centre of finance and commerce, as the ideal form of primate capital city (Bryce, 1888, 2, p. 601), Bryce questioned the political effectiveness of Washington because of the financial hegemony of the New York stock exchange, Chicago's role as the



leading transport node and the emergence of San Francisco as a west coast port. He noted the reasons behind US 'democratic' preference for locating federal and 'subordinate' state capitals well away from possible commercial domination in the same manner as the later Australian choice of Canberra as federal capital. By drawing comparisons with Germany, Bryce recognised that such federal independence could produce far greater cultural diversity than within a centralised unitary state but he also argued that the geographical dispersal of talent carried risks of administrative incompetence, business laxity and less responsibility for national leadership or global influence (Bryce, 1888, 2, pp.465-456). Washington would only survive if it remained geographically remote from the world, "safe from attack, safe even from menace", and hearing from afar "the warring cries of European races and faiths, as the gods of Epicurus listened to the murmurs of the unhappy earth spread out beneath their golden dwellings" (Bryce, 1888, 1, p.303). In their respective reviews of the nineteenth century, Dicey (1914) and Bryce (1921) shared mutual concern over the unwelcome rise of 'collective' socialism and political manipulation by trade unions as direct threats to centralism, public confidence and even to the rule of equal law.

Dicey and Bryce provided the positivistic platform for British government promotion of national and even imperial identity, but at the cost of clear articulation of any regional identity. Possibly because it was so obvious, they made no mention of the traditional but subordinate county structure. The thesis of unchallengeable unitary command undoubtedly supported the military expenditure required by Britain during two world wars and a 'cold war'. Symbols of crown authority strengthened public confidence to face a common threat to national security. At times of crisis such symbols have been further reinforced by London-centred mass media and nation-oriented policy favouring constitutional order.

Whereas these symbols and unitary government were hallmarks of the Conservative Party throughout the twentieth century, they appear to have been accepted without question as elements of the political and economic culture by the opposition parties until the 1980s. The Local Government Act of 1972 restated adherence to centralist unitary principles for the creation of a two-tier structure for England and Wales, with additional power devolved to reconstituted counties. The Labour Party Green Paper of 1977 ("Local Government Finance") interpreted a 'unitary grant', which empowered Whitehall to penalise high spending (Burgess and Travers, 1980; Artis and Cobham, 1991). The Thatcher government in 1980 adopted the same procedure as 'block grants'. Then, amidst privatisation of many central functions, further Whitehall constraints were imposed upon the rise of local government powers by curbing rates, by nationalization of housing policy, and, in 1986, by abolition of the Greater London Council and six other metropolitan county councils. Dicey's thesis of sovereignty allowed such central intervention and was echoed for British defence of the Falklands (Travers, 1987, pp.8-15; Peele, 1995, pp.359-363). Public confidence, however, was disturbed by widespread factory closures and a dramatic rise in unemployment (Fothergill and Guy, 1990).

## 5. STEPS TOWARDS BRITISH REGIONAL GOVERNANCE

The dominant British political issue throughout the 1980s was perception of a national economic crisis. As national policy of 'fiscal rectitude' (Green, 1989), all public sector expenditure was cut back from one-third of the British gross domestic product, to control unprecedented inflation (Foster and Plowden, 1996, p.3). An additional interpretation is that this decade required the protection of unitary order from dislocation by European federalism and by Scottish and Welsh nationalism as a widening macroeconomic, geographical and political 'divide' (Martin, 1982; Keating, 1988; Green, 1988; Lewis and Townsend, 1989; Hudson and Williams, 1989; Smith, 1989; Balchin, 1990; Pattie and Johnston, 1990, 1993).

Ashford (1989, pp.77-78) argues that "local government has never occupied an important place in the minds and hearts of British leaders", with virtually impenetrable barriers in place and an apathetic turnout to voluntary local elections. Cochrane (1993, p.28) observes that, until the mid-1970s, local government and regional growth in Britain remained a 'political backwater' beyond the main policy arena. Rhodes (1988, p.12) illustrates 'mutual insulation' between Whitehall and local government. Between 1979 and 1995, more than 150 acts altered local authority power, mainly as repression, as the most time-consuming subject of Parliamentary debate (Foster and Plowden, 1996, p.137). Nevertheless, despite new constraints under Thatcher, local government manpower and overall revenue expenditure rose to reach its highest ever level (Travers, 1989, p.3).

Against this background, the English public appeared largely unprepared for the sudden invasion of European concepts of cohesion, integration, subsidiarity and regional governance during the early 1990s in preparation for the Maastricht Treaty. The relevance was not publicly articulated by Westminster or Whitehall, despite the dramatic emergence of regionalism as a key political debating issue prior to the 1992 General Election. Labour proposed devolution of powers from Westminster in the form of a Scottish Assembly, a future Welsh Assembly, and 12 English regional administrations which would blossom into directly elected regional assemblies. The Liberals assumed creation of a federal Britain with abolition of the English county councils and transformation of local government into a single tier of unitary authorities modelled after the London boroughs or metropolitan councils. As part of the debate, the Scottish National Party and Plaid Cymru questioned even the constitutional right of British rule (Bradbury and Mawson, 1997). The Conservative response appealed to loyalty towards the historical identity of English counties and followed the correct assumption that voters felt more at ease with the familiar but restructured local government counties, districts and towns. Similar conservative sentiment railed in the London press against "twelve unnatural little Scotlands" (Jenkins, 1991) and Major's government returned to office charged to keep the Act of Union intact according to the laws determined by Parliament. Dicey's interpretation of constitutional sovereignty held the day.

Polarization of the Parliamentary parties over devolution and regional reforms

widened during December 1994 and persisted as a key issue for the 1997 election which placed Labour in government. A major trigger, the EU concept of subsidiarity, had already increased direct communication between British local government and the European Commission, especially through the Committee of the Regions and in a manner which forced self-protective reaction by Whitehall. For the purpose of structural funding and the preparation of regional development policies during the 1990s, the EU interpreted the United Kingdom as twelve '*standard regions*' (Figure 2). Beyond Greater London, the other nine regions of England were imagined regions, as amalgamations of adjacent counties (Merseyside is now part of the North West Region), but these lacked any coherent administrative structure until the Major government in 1994 established integrated *Government Offices for the Regions* (GORs). It is doubtful whether the new English regions have captured public imagination other than parochial objections from cities not chosen as sites for GORs (eg Leicester, Sheffield, Derby, York).

The GORs were decentralized arms of government as a new regional tier directly accountable to four separate Departments of State in Whitehall, with each GOR empowered to service monitoring committees appointed to manage EU Structural Fund support. Whitehall kept aside portions of the Fund for a competitive bidding process as further 'top down' control contradictory to EU interpretation of governance. As a Conservative concession, a local government review subsequently led to plans to create 46 local authorities in shire areas, but in a form which may have exaggerated town versus country tensions at the cost of regional co-operation and convergence (Mawson and Spencer, 1997; Stewart, 1997). In effect, the GORs were little more than centralist tokenism because Cabinet saw the need to preserve Civil Service 'continuity' amidst change (Cabinet Office, 1994).

The three peripheral regions or 'Celtic fringe' (Scotland, Wales and Northern Ireland) have a long history of preferential treatment as paternalistic regional policy from London, in the form of special assistance or additional fiscal subsidies dating back before this century. Since the 1930s, this intervention has been designed to correct persistent high unemployment and an industrial decline (Bradbury and Mawson, 1997; Jones and Keating, 1995). The most successful reduction of regional disparity, not through financial support from London but as regional initiatives by the Welsh Development Agency, has resulted from massive injection of international investment which since 1975 has transformed Wales from a problem region into a healthier economy (Alden, 1996). Northern Ireland and parts of Scotland continue to qualify for Objective 1 allocation of EU Structural and Cohesion Funds, with Northern Ireland considered a special CI case.

As the Labour Party approached the 1997 election, it engaged in extensive consultation. Two consequent papers outlined an approach to regional reform for England, which the subsequent Blair government appears to be adopting despite persistent public Euroscepticism (Holmes, 1990). The first, *A Choice for England* (1995), recognised the existence of regional local government associations which



**Figure 2.** The Standard Regions of the United Kingdom, Existing Counties, Unitary authorities and Government Offices for the Regions, August 1998.

**Note:** Merseyside merged into the North West Region in October, 1998. The number of GORs may reduce as regional assemblies are elected.

Labour proposed that these associations should be used as secretariats to set up nine indirectly elected *regional chambers* of nominated councillors as a first step towards represented regional governance. The chambers would have no legislative or tax powers but their advice would be sought for EU funding, economic development and planning and they would be given formal rights of consultation with GORs and semi-government agencies. In the longer term, the chambers might be replaced by directly elected *regional assemblies*, with powers of government transferred from London by legislation. Greater London anticipates election of a regional assembly during Year 2000 (*The Economist*, 30 January, 1999, p.34) but a recent poll suggests that about 44% of British residents envisage that by the Year 2020 Strasbourg rather than Westminster or a regional assembly will be the dominant source of influence (*The Economist*, 6 November, 1999).

The second Labour Paper (Regional Policy Commission, 1996) proposed *regional development authorities* (RDAs) for each English region, with each RDA responsible to the chamber or assembly in accordance with Scottish precedent (Danson, Lloyd and Newlands, 1993). The RDAs would administer the EU Structural Funds and other regeneration programmes, as well as regional, sub-regional or local partnerships. At national level, the GORs would also be brought under the responsibility of a single Cabinet Minister. The Labour Party has since established the regional structure of chambers, with RDAs in place by early 1999, but these cannot be evaluated until the new millennium (Bradbury, 1996).

## 6. A CONCLUSION

The parallel movements by the Labour Party and the European Commission to introduce a 'regional' middle order to a three tier system of government for the United Kingdom require substantial reworking of Dicey's concept of unitary state and the constitution in a form appropriate to public consciousness. It is a quarter of a century since the Kilbrandon royal commission recommended constitutional reforms (HM Government, 1973) but Dicey's 'rule of law' is in the process of replacement by a new form of Union paradigm. This paradigm is not articulated but it may need to take account of Labour's acceptance of the persistence of pre-Union authority in the Celtic 'nations', as well as rights antecedent to common law.

To many, the concept of unitary state is no longer appropriate (Mitchell, 1996; Tindale, 1997). Mount (1992) notes that reliance on traditional Parliamentary sovereignty as an explanation of the source of administrative power misses the point. The actual distribution, separation, geographic decentralization, and devolution of power within and outside Westminster and Whitehall is a process not bound by the constitution as perhaps it should and as the Thatcher programmes of privatisation demonstrated. No public presentation of legal or other advice yet suggests how the existing constitution of sovereignty is to be re-interpreted or publicly presented. Although a public referendum has been proposed (*The Times*, 24 February 1999), perhaps it is the British way to impose all constitutional reform from Parliamentary debate, as power from the centre. Lenman (1992) perceives a

gradual eclipse of the British Parliament and Foley (1993) argues that a British republic is emerging. Foster and Plowden (1996, pp.63-80) offer sketchy scenarios equally applicable to similar debate in New Zealand and Australia.

Clearly, the formation of English regions will require the passage of time to achieve public acceptance of devolved functions of regional administration, possibly with an additional cost of government if regional capital cities emerge. Justification of the proposed regional assemblies (including those for Scotland, Wales and, ultimately, Northern Ireland) lies in increased transfer of responsibilities from London, in the interests of EU principles of governance and democratic procedures promoted from Strasbourg. Between 1997 and 1999, constitutional reforms pushed through by a government with an overwhelming majority have passed power downward to the regions, sideways (to the Bank of England) and upwards to the EU. The ultimate test must be in the generation of credible forms of regional identity relevant to the fostering of more competitive regional economies and as a strengthening of regional security. Given the long-standing conservatism of the English people (Ascherson, 1991), the credibility of 'New Labour' regional policy lies in its ability to increase public knowledge of the new processes and in the shifting of public confidence to closer identification with Europe and the new regions.

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