

Chapter 6

“Small Is Beautiful”: The Pros and Cons of Territorial Fragmentation Regarding the Example of the Czech Republic

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ABSTRACT

This chapter discusses the problem of territorial fragmentation and summarizes the arguments for and against a solution in the form of territorial consolidation regarding the example of the Czech Republic. The main reason for the consolidation of municipalities are the benefits derived from the theory of the economies of scale. Linked to this is also the question of how to determine the optimal size of a municipality in order to make the best use of the principles of scale economies. The second part of this chapter shows an analysis of Czech municipal expenditures on selected public services that municipalities provide, and based on the results, determine the optimal size of the municipality for the analyzed services. Data from the Czech Republic do not clearly support the economic arguments for territorial consolidation

INTRODUCTION

Local government is a fundamental part of the public administration of a democratic state. The territorial, political, and administrative organization of local governments have different characteristics in each country, whereas they share a common goal: to provide public services for the quality of life of their inhabitants. In connection with the changes that many countries experienced after World War II, local governments were the object of a series of reforms. These reforms were thorough, covering many

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aspects of the local government system (Blom-Hansen, 2009). The first step was typically territorial changes. The main aim of these changes was to make local governments larger. These reforms reflected the enduring belief that “bigger is better” and that local governments are more cost efficient. Opponents argued that smaller local governments were more responsive to citizens. This dispute continues today.

Territorial reforms were implemented after 1990 in Australia, New Zealand, the UK, and Canada, and after 2000 in Israel and Denmark. Other countries are considering these reforms today because they are facing the consequences of the economic crisis or because they have too-numerous municipalities (several thousands), which makes it difficult to provide high quality public services (e.g. the Czech Republic, Slovakia, and Hungary).

The issue of fragmentation versus amalgamation represents one of the most frequently discussed issues in the theory and practice of public administration. The core problems are the potential lower efficiency of use of the available financial resources, lacking capacities and knowledge, the inability to manage local public affairs, a lack of finance as well as employment opportunities for inhabitants, and a lack of technical infrastructure etc. On the other hand, smaller may mean better local democracy, more direct public control, better participation, etc.

The goal of this chapter is to summarise the arguments for and against a fragmented territorial structure on the local level and to realise concrete calculations to assess the reality of “economies of scale” on the level of Czech local self-government (examining whether local government expenditures increase or decrease with population size). The existence of “economies of scale” is examined on the following examples of local services:

In the final part, the authors introduce possibilities of voluntary cooperation as an alternative to the amalgamation of municipalities, which today is politically impossible in the Czech Republic.

BACKGROUND

Territorial Structure in the Czech Republic

A municipality is *the basic territorial unit* of the Czech Republic. Every part of the country is a part of one municipality. The form of the Czech municipal system is adjusted in the Municipalities Act (2001). It defines a municipality as a basic territorial society of citizens. According to the Act, the basic characteristics are territory, population, legal personality (the possibility to issue legal regulations), property ownership, and financial management of a budget.

The municipality exercises so-called autonomous and delegated powers. Currently, the trend is to expand the scope of independent powers of the municipality in accordance with the principle of subsidiarity. After 1990, the terms *decentralization* and *a paradigm of local autonomy* were often understood in a way that gave the right to become a separate local government to almost each settlement unit, even if that unit was a tiny village. Attempts to create or maintain larger territorial jurisdictions (as in the previous decade) were seen as a violation of local autonomy. But according to Swianiewicz (2010) it quickly became apparent that territorial fragmentation was one of the major barriers to the decentralization and effective functioning of the local government system.

Since 2001, the total number of municipalities has stabilized at about 6,250, with a slight movement in this figure since then. The settlement structure is dense, consisting of a large number of villages, townships and small towns. But there are relatively few medium and large cities. According to the data

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