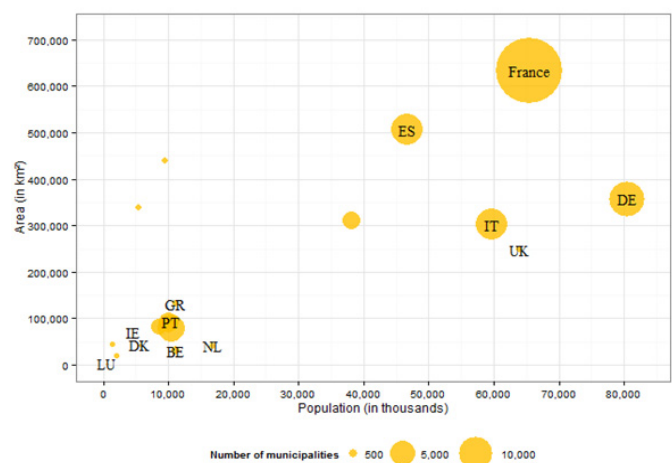


## An economic approach to local government reform

- In 2014, there were 36,681 municipalities in France (36,767 including overseas municipalities), 101 départements and 27 regions. French local-government entities accounted for 40% of the European Union total in 2011.
- Their economic role is substantial: local governments accounted for 21% of French government expenditure and 60% of government investment in 2014. Their powers are varied and may overlap in certain cases, particularly as a result of the clause de compétence générale (abolished by the Local Administration Reform Act (NOTRe) of 7 August 2015), and the complexity of government policy segmentation.
- Since 2012, the government has embarked on a new stage of decentralisation that reorganises local governments and their powers. More specifically, metropolitan areas have been strengthened and the size and role of intermunicipal structures and regions have been increased. Local government reform has several objectives and is part of the debate about adapting our institutions to the way the French economy works. The reform better aligns the geographical boundaries of local governments with France's economic geography, providing key tools for improving economic efficiency, while promoting adaptation to local preferences.
- From an economic point of view, a metropolitan area or an intermunicipal structure, similar in scope to urban areas, would seem the appropriate level of government for exercising local powers, meaning the powers involving the day-to-day relations between economic agents. Such powers include local transport or urban planning. Metropolitan areas or intermunicipal structures should be in the best position for improving transport and housing because they can give due consideration to externalities stemming from greater concentration of activity: both the positive externalities (more interaction between agents that boosts productivity) and negative externalities (congestion). At the same time they can mitigate the negative effects of excessive fragmentation of local administration or excessive tax competition. A smaller number of local governments with more clearly defined powers would also contribute to more thorough consideration of externalities.
- Furthermore, provided that they are large enough, regions appear to be the right level for establishing a local economic strategy and ensuring a coherent distribution of activity within their boundaries, especially between urban areas. As things stand (before the merger of regions on 1 January 2016), some regions are too small and sometimes their boundaries are inconsistent with economic geography. For example, some of them do not have any large metropolitan areas.
- Local government reform should also make expenditure more efficient and, ultimately, produce savings through pooling of resources. The experience of other countries tends to show that municipal mergers can reduce per capita expenditure, without undermining the level of services provided.

Number of municipalities by population and area in European countries



Sources: OECD and INSEE.

## 1. Local government reform is part of the decentralisation process that has reinforced the economic role of local governments

### 1.1 Local government entities in France are numerous and they make a large contribution to the conduct of public policy

**France accounts for 40% of the local government entities in the EU-27<sup>1</sup>.** As of 1 January 2015, there were 36,529 municipalities in France (36,744 including overseas municipalities), 101 *départements* and 27 regions. The number of municipalities in France - the lowest level of government - is high compared to their equivalent in other European countries: in 2011, all 27 EU countries together contained 89,149 municipalities<sup>2</sup>, and 40% of them were in France, which is home to only 13% of the EU population. The average population of a municipality in France is approximately 1,800, which is the second lowest average in the European Union. German municipalities and urban districts (*Kreisfreie Städte* and *Stadtkreise*) have an average of approximately 7,100 inhabitants, and Italian municipalities 7,500. Furthermore, the average area of French municipalities is the second smallest in Europe.

**However, the vast majority of French municipalities belong to an intermunicipal structure.** As of 1 January 2015, 99.8% of municipalities belonged to a Public Intermunicipal Cooperation Establishment (EPCI) with its own tax-raising powers. These establishments have grown larger in recent years and their number was reduced by the Act of 16 December 2010, which set a minimum population of 5,000 for an EPCI. Today, the average number of municipalities in an EPCI is 17, compared to 13 in 2010 and their number fell from 2,611 in 2010 to 2,133 in 2014.

**Local governments account for one fifth of government expenditure.** Consolidated local government expenditure<sup>3</sup> amounted to €247bn in 2014, or 20% of total government expenditure. Local governments account for 60% of general government investment and two thirds of sector-specific expenditure, particularly for culture, the environment, housing (excluding housing benefits), transport and public amenities.

**The responsibilities of municipalities and, prior to the reform, of départements and regions were defined by a *clause de compétence générale*,**

which gave them the power to conduct any policy "of local interest"<sup>4</sup> for which they were not responsible as of right, in accordance with the principle of subsidiarity. However, this clause may create redundant exercise of powers and restrict the attribution of "blocks of powers" defined by the first "Act" of decentralisation (see Box 1). For example, the regions have the power to draft regional development plans (*plans de développement régional*), but the municipalities can also join forces to draft "development and planning charters" (*chartes de développement et d'aménagement*) dealing with economic, social and cultural issues.

This means that the number of local governments and the organisation of their powers give rise to a complex administrative structure with many questions about its efficiency<sup>5</sup>.

### 1.2 Local government reform is part of an on-going discussion about the role of institutions and the way the French economy works at the local level

**The current local government reform is part of a discussion on the efficiency of our institutions.** The redrawing of regional boundaries and the powers attributed to each level of government are aimed at providing government services that are suited to the citizens' heterogeneous preferences<sup>6</sup>.

Under this framework, there may be a trade-off between operating costs and individuals' preferences<sup>7</sup>: local production of a government service means that it can be adapted to the diversity of agents, but production on a larger scale may make it possible to reduce costs. Excessive fragmentation of administrations, on the other hand, may lead local governments to overlook the impact of their decisions on their neighbours, resulting in an inefficient allocation of resources. For example, local governments may fail to internalise positive externalities properly, such as the functioning of the labour market<sup>8</sup>, or the dissemination of knowledge; the same could happen with negative externalities, such as congestion<sup>9</sup> or the distorting impact of taxes and subsidies<sup>10</sup>. There could also be coordination problems. Frère *et al.* (2014)<sup>11</sup> reveal emulation effects: a municipality's expenditure increases when neighbouring

(1) OCDE (2015), "Economic and Development Review: France".

(2) Finances publiques territoriales dans l'Union européenne, CCRE and Dexia Crédit Local, July 2012.

(3) Consolidated government expenditure omits transfers between government agencies that could lead to double counting. The convention is to attribute an expenditure to the general government entity that ultimately pays it. This consolidation is necessary to examine local governments' share of total general government expenditure.

(4) Article L2121-29 of the General Local Government Code.

(5) *Cour des comptes* (French Government Audit Office (2013), « L'organisation territoriale de l'État » or OECD (2015), "Economic and Development Review: France".

(6) Tiebout C. (1956), "A pure theory of local expenditures", *Journal of Political Economy* 64, pp. 416-424.

(7) Alesina, A. and E. Spolaore (1997), "On the number and size of nations", *Quarterly Journal of Economics*.

(8) See, for example, Topa, G. (2001), "Social Interactions, Local Spillovers and Unemployment", *Review of Economic Studies*. The author shows that social interaction between individuals produces a positive externality for employment rates between census sectors (approximately 2,500 inhabitants) in Chicago: the employment rate in a sector is higher when the employment rate in neighbouring sectors rises.

towns increase theirs, but only in the case of towns that do not belong to the same intermunicipal structure, which suggests that intermunicipal cooperation internalises some of these patterns.

**One of the ideas behind local government reform is thus to adapt administrative boundaries to economic geography in order to give more consideration to externalities.** The metropolitan area and intermunicipal structures seem to be the appropriate level for facilitating day-to-day economic

relations and optimising the performance of local transport and the housing market (see Section 2.1), but the region, with its much larger area, could play a driving role in defining the economic strategy and in balancing the local economy (see Section 2.2). The French economy could be made to work better by adapting the division of powers to suit economic geography and by improving coordination between different levels of government.

### Box 1: History of local government reforms since the 1980s and current administrative structure

Under the terms of Article 72 of the 1958 Constitution, which upholds the principle of free administration for local governments, the decentralisation process in France has played out in three major "Acts". The first "Act" followed the Act of 2 March 1982, which transferred executive power at the *départements* and regions level to the decentralised level. After that, further legislation transferred "blocks of powers" from the central government to different levels of local government. Prior to the second "Act", the Acts of 6 February 1992 and 12 July 1999 established new cooperation structures: rural district communities in 1992 and urban district communities in 1999.

The second "Act" started with the Constitution Act of 28 March 2003, which enhanced the independence of local governments by providing for local referenda and by enshrining the financial autonomy of local governments. The Act of 13 August 2004 on local freedoms and responsibilities transferred a number of powers to local governments and, more specifically, gave *départements* the leading role in social policy and gave regions a greater role in economic development.

The last "Act" of the decentralisation process seeks to reduce the number of local-government entities and rationalise their powers. This "Act" establishes the "metropolitan areas" and "new municipalities" to encourage municipalities to merge. The Act of 27 January 2014 on modernising local government and strengthening metropolitan areas (MAPTAM) established 9 metropolitan areas under ordinary law as of 1 January 2015<sup>a</sup> and 3 special metropolitan areas (Lyon, Aix-Marseille-Provence and Grand Paris) as of 1 January 2016. The Act of 16 January 2015 on regional boundaries reduced the number of regions from 22 to 13 as of 1 January 2016. Finally, the NOTRe Act of 7 August 2015 reorganises the powers of local governments (abolishing the *clause de compétence générale for départements and régions*) and further strengthens intermunicipal cooperation (e.g. increasing the minimum population threshold for a Public Intermunicipal Cooperation Establishment to 15,000).

- a. Bordeaux, Brest, Grenoble, Lille, Montpellier, Nantes, Rennes, Rouen, Strasbourg and Toulouse following the creation of the Nice Côte d'Azur metropolitan area under the Local Government Reform Act of 2010.

## 2. The division of powers is a key factor for effective public action and strong economic performance

**2.1 Metropolitan areas and intermunicipal structures seem to be the appropriate level of government for exercising local powers and improving their governance could boost productivity**

**Transferring certain local powers (in the areas of urban planning, local transport, housing) to metropolitan areas and intermunicipal structures, similar in scope to urban areas<sup>12</sup>, would**

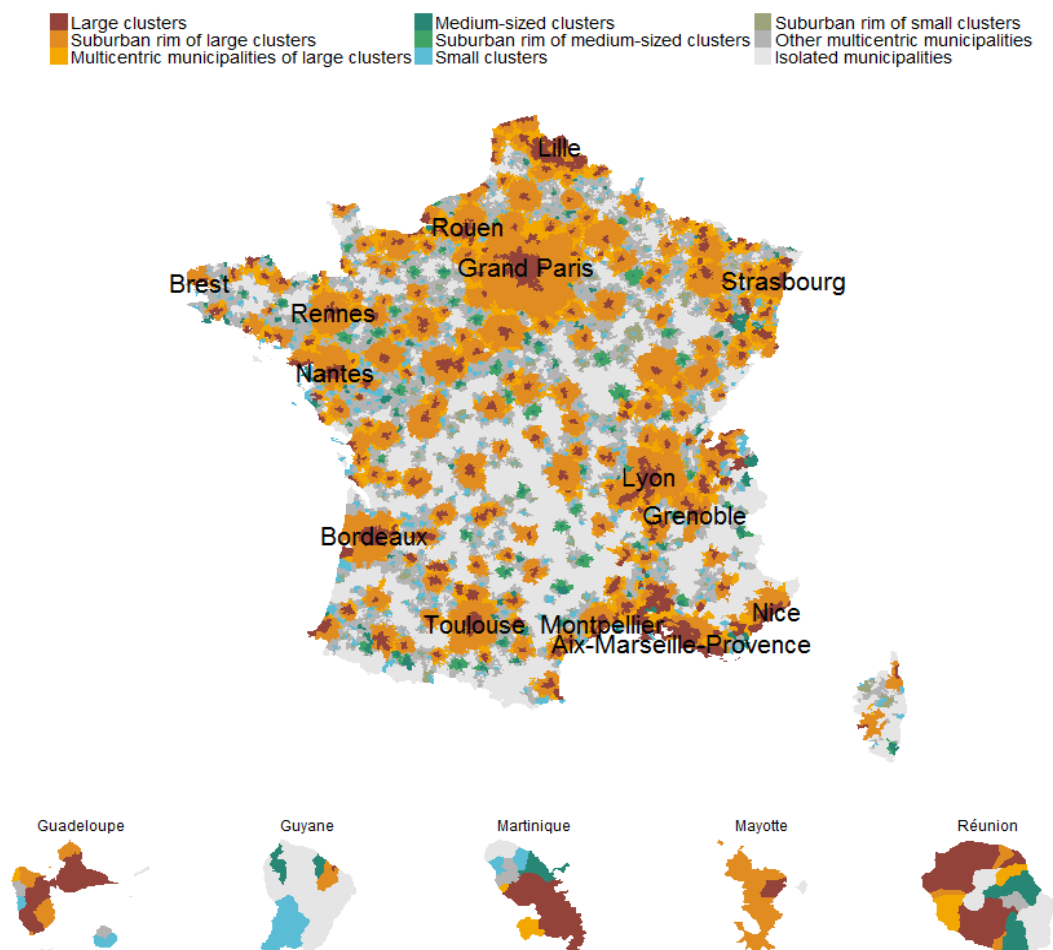
maximise economic gains. Decision-making at the level of an urban area (see Figure 1), which encompasses the vast majority of economic interactions and commuter travel, would best suit the needs of all economic agents and would take into account the externalities of local policies more appropriately. More specifically, it would give greater consideration to commuters' needs, since commuting patterns define urban areas. It would also increase the highly localised

- (9) Gordon, R. H. (1983), "An Optimal Tax Approach to Fiscal Federalism", *The Quarterly Journal of Economics*. Gordon stresses that municipalities that increase taxes are going to reduce congestion inside their own boundaries, without considering the negative impact on congestion in the surrounding municipalities as tax bases relocate.
- (10) Rathelot, R. and P. Sillard (2008), "The Importance of Local Corporate Taxes in Business Location Decisions: Evidence from French Micro Data", *The Economic Journal*. The authors show that a 1% cut in the corporate tax rate in a municipality increases the probability that businesses will locate in that municipality by 1 percentage point over the period from 1993 to 2004.
- (11) Frère, Q., M. Leprince and S. Paty (2014), "The Impact of Intermunicipal Cooperation on Local Public Spending", *Urban Studies*.
- (12) INSEE defines an urban area as a set of municipalities made up of an urban cluster of at least 1,500 jobs and rural municipalities or a peri-urban belt where at least 40% of the residents in employment work in the cluster or in the municipalities in its catchment area. "Large urban areas" (more than 10,000 jobs) are distinguished from "medium" and "small" urban areas (respectively 5,000 to 10,000 jobs and 1,500 to 5,000 jobs).

formal and informal interactions that foster innovation and employment<sup>13</sup>, prevent excessive tax competition<sup>14</sup> between municipalities seeking to attract businesses and households, improve the distribution of real estate developments to correct imbalances in the housing market in areas with housing shortages and prevent real estate prices from soaring as a result of a lack of land available for building housing<sup>15</sup>. Most of these powers are currently exercised at the level of municipa-

lities. For example, planning permission (especially building permits) remains within the powers of the municipalities, even though the local urban plan should be transferred to the Public Intermunicipal Cooperation Establishments by 2017 (Housing and Urban Planning Act of 24 March 2014), unless one quarter of the municipalities accounting for 20% of the population are opposed.

Figure 1 : Urban areas in 2010



Source: INSEE, IGN. The names of the metropolitan areas established by the MAPTAM Act are indicated on the map.

- (13) See, for example Carlino, G. and W. R. Kerr (2014), "Agglomeration and Innovation", *NBER Working Paper* for the innovation aspect or Rosenthal, S.S. and W. C. Strange (2003) "Geography, Industrial Organization and Agglomeration", *Review of Economics and Statistics* for the labour market aspect. Rosenthal and Strange, for example, show how greater concentration in a specific industrial sector has a significant impact on the productivity of companies in the same sector up to 25 kilometres away.
- (14) Charlot, S. *et al.* (2012), "Does Fiscal Cooperation Increase Local Tax Rates in Urban Areas?" *Regional Studies*. For example, the authors suggest that intermunicipal cooperation restricted local business tax competition in municipalities from 1993 to 2003.
- (15) Combes, P.P. *et al.* (2012), "The Cost of Agglomeration: Land Prices in French Cities", *IZA Discussion Papers* no. 7027. The authors estimate that doubling density produces a 65% increase in land prices.



**Furthermore, concentrating local economic powers at the intermunicipal level could increase population density in some urban areas, which would in turn produce economic gains, including productivity gains, as long as enough resources are provided to prevent congestion.** The OECD has shown that a central governance structure for a group of municipalities has positive effects on density<sup>16</sup>. "Agglomeration effects" are realized through several complementary channels that are reinforced by a greater concentration of population (i.e. density): better matching of labour demand and supply, more fluid exchanges and dissemination of

information, a better adapted supply of public goods (infrastructures, transport, etc.), access to a wider and more competitive market of suppliers of intermediate goods, which helps reduce costs; and access to a greater diversity of consumers, which helps achieve economies of scale. Recent literature on this topic (see Box 2) estimates that doubling density could generate productivity gains of up to 5%. On the other hand, greater density that is not backed up by appropriate housing and transport policies could have a negative impact on productivity owing to congestion-related phenomena affecting land prices, the labour market, transport networks, pollution, etc.

### Box 2: Agglomeration effects on productivity<sup>a</sup>

Increased productivity in agglomerations can occur through several channels: better matching on product (goods and services) and labour markets, better circulation of information, easier collaboration (for example between suppliers and employees), economies of scale, etc. However, it is difficult to distinguish between the various effects and it is hard to identify the causal effect of density on productivity. More specifically, the models used to assess such links may omit some key variables because they are unavailable either at the aggregated level (for example, on the level of public goods, which is correlated to density and influence productivity) or at the individual level (for example on the preference of certain groups of individuals for areas with specific, non-measurable characteristics). There may also be a problem with reverse causality related in particular to selection effects (individuals and firms will move to places with the greatest prospects for profit, which increases density, (Combes *et al.*, 2008<sup>b</sup>)).

The available international comparisons estimate the elasticity of productivity to the density of an agglomeration at between 0.04 and 0.07, which means that doubling local density produces productivity gains of 3% to 5% for firms and workers. However, this effect is diminished when selection effects are considered, in which case, the average elasticity falls to 0.02. Working with French data, Combes *et al.* (2010)<sup>c</sup> find an elasticity of nearly 0.04 for total factor productivity and 0.02 for wages.

The gains and costs stemming from agglomeration effects should increase with population density, but the gains slow down (Au and Henderson, 2006<sup>d</sup>), while costs accelerate (convex cost functions). Working with British data, Graham (2007)<sup>e</sup> showed congestion costs related to transport that could be as much as 30% of the agglomeration effect.

Increasing density leads to a variety of effects:

- The biggest gains are for the most highly qualified workers (Gould 2007<sup>f</sup> and Matano and Naticchioni, 2012<sup>g</sup>). This could be related to the fact that the sharing of information in a large agglomeration increases with the level of educational attainment.
- The largest firms (more than 100 employees) and the most efficient firms are the ones that gain the most from agglomeration (Combes *et al.*, 2012<sup>h</sup>).
- High-tech industries and services benefit the most from the gains (Combes *et al.*, 2008).

Finally, agglomeration effects also diminish very rapidly with distance. Surveys have also shown that agglomeration effects are rarely significant above 100 kilometres, and that the threshold is often lower.

- a. Combes, P.P. and L. Gobillon (2015), "The Empirics of Agglomeration Economies", *Handbook of Urban and Regional Economics*.  
 b. Combes, P.P. *et al.* (2008), "Spatial wage disparities: Sorting matters!", *Journal of Urban Economics*.  
 c. Combes, P.P. *et al.* (2010), "Estimating agglomeration effects with history, geology, and worker fixed-effects". In Glaeser, Edward L., Editor, *Agglomeration Economics*.  
 d. Au, C.C. and J. V. Henderson (2006) "Are Chinese cities too small?" *Review of Economic Studies*.  
 e. Graham, D. J. (2007), "Variable returns to agglomeration and the effect of road traffic congestion", *Journal of Urban Economics*.  
 f. Gould, E. (2007), "Cities, workers and wages: A structural analysis of the urban wage premium", *Journal of Urban Economics*.  
 g. Matano, A. and P. Naticchioni (2012), "Wage distribution and the spatial sorting of workers", *Journal of Economic Geography*.  
 h. Combes, P.P. *et al.* (2012), "The productivity advantages of large markets: Distinguishing agglomeration from firm selection", *Econometrica*.

(16) Ahrend, R. *et al.* (2014), "The OECD Metropolitan Governance Survey: A Quantitative Description of Governance Structures in large Urban Agglomerations", OCDE Regional Development *Working Papers*.

**In addition, less fragmented administrative structures for urban areas (defined as the number of municipalities per inhabitant) would, for a given density, have a positive effect on productivity, according to the OECD<sup>17</sup>.** Of the countries under review (Germany, Mexico, Spain, United States, United Kingdom), the OECD shows that administrative fragmentation seems to have negative effects on economic activity, particularly as a result of insufficient investment in infrastructures, sub-optimal use of land resources (congestion effect) and increased administrative complexity for businesses. For a given size of urban area, twice as many municipalities within the area is associated with approximately 6% lower productivity. This negative effect from an excessive number of municipalities may be mitigated by the presence of a central governance body, in which case productivity is only 3% lower.

**Based on this, the OECD presented a partial assessment of the impact of the MAPTAM Act.** It evaluates<sup>18</sup> the potential effect of creating the Grand Paris and Aix-Marseille-Provence metropolitan areas at +0.3 percentage points of GDP over 5 years and approximately +1 percentage point over 10 years. These quantitative estimates, which do not consider the potential positive impact of increasing density, must however be interpreted with care, since the shapes of the new metropolitan area structures still need to be specified. Similarly, the atypical case of the Paris metropolitan area, which is large and very fragmented, makes the choice of methodology for the assessment a delicate matter.

## **2.2 When regions are large enough and economically coherent, they seem to be the right level of government for organising economic strategy and distributing activity within their boundaries**

**Some activities have to be organised on a larger scale than an urban area or a metropolitan area. When regions are large enough, they seem to be the most appropriate level for setting up activity clusters that promote innovation, and for defining local economic strategies.** These large regions, with powers over environmental protection and economic development (business development funding, higher education and vocational training, etc.), along with broader and more accessible markets, would appear to promote gains stemming from the

specialisation of production and the concentration of activities in clusters that are more efficient because of increasing returns to scale. Some regions are currently too small and too poorly suited to economic geography and many of them do not have any large metropolitan area. An optimal redrawing of administrative boundaries would mean considering the geography of production chains and commuting patterns between two regions or *départements*. A France Stratégie report<sup>19</sup> stressed that the redrawing of regional boundaries under the Act of 16 January 2015 reinforced the economic coherence of regions. The Act reduces the number of *départements* that have more economic connections (as measured by commuting patterns and cross-shareholdings) with a region outside of their own. However, the economic impact of increasing region size and giving them a greater role in economic development is still uncertain and no macroeconomic assessment has yet been made. Such an assessment would also have to consider the resources attributed to the regions, since the comparable levels of government in countries like Germany may have larger budgets<sup>20</sup>.

**If they are large enough, regions could also promote a coherent distribution of activity within their boundaries.** With shrinking central government transfers, the implicit geographical redistribution of some non-market forms of income (such as pensions), and the "metropolisation"<sup>21</sup> of the economy (stemming from the agglomeration effects discussed above), the issue of equalisation between local communities arises<sup>22</sup>. Some communities garner the full benefits of these changes, while others, particularly in rural areas, can be harmed by them. Regions seem to be the most appropriate level of government to ensure synergy between these communities. For example, the work by Askenazy and Martin (2015) advocates facilitating mobility within regions, while promoting growth in the major urban agglomerations at the same time<sup>23</sup>. In addition, the regions' powers over interurban transport and vocational training would enable them to implement policies to overcome the obstacles to residential mobility. Limited mobility hinders the growth of local markets for labour and services and the matching of supply and demand on labour markets across urban areas<sup>24</sup>. These powers would also enable regions to improve access to vocational training and ensure that such training meets the needs of the local economy.

(17) Ahrend, R. *et al.* (2014), "What makes cities more productive? Evidence on the Role of Urban Governance from five OECD countries", OCDE Regional Development *Working Papers*.

(18) OECD (2015) "Structural reforms in France: impact on growth and options for the future".

(19) Amabile, A., C. Bernard, A. Epaulard (2015), 3 Réforme territoriale et cohérence économique régionale », *France Stratégie*.

(20) Giuily, E. and O. Régis (2015), « Pour en finir (vraiment) avec le millefeuille territorial », Éditions Archipel: Germany's Länder account for 40% of government expenditure, compared to only 13% for regions and départements combined in France".

(21) Davezies, L. and T. Pech (2014), « La nouvelle question territoriale », *Terra Nova*.

(22) Lajudie, B. (2014), "Réforme régionale : un enjeu pour la croissance ?", *France Stratégie*.

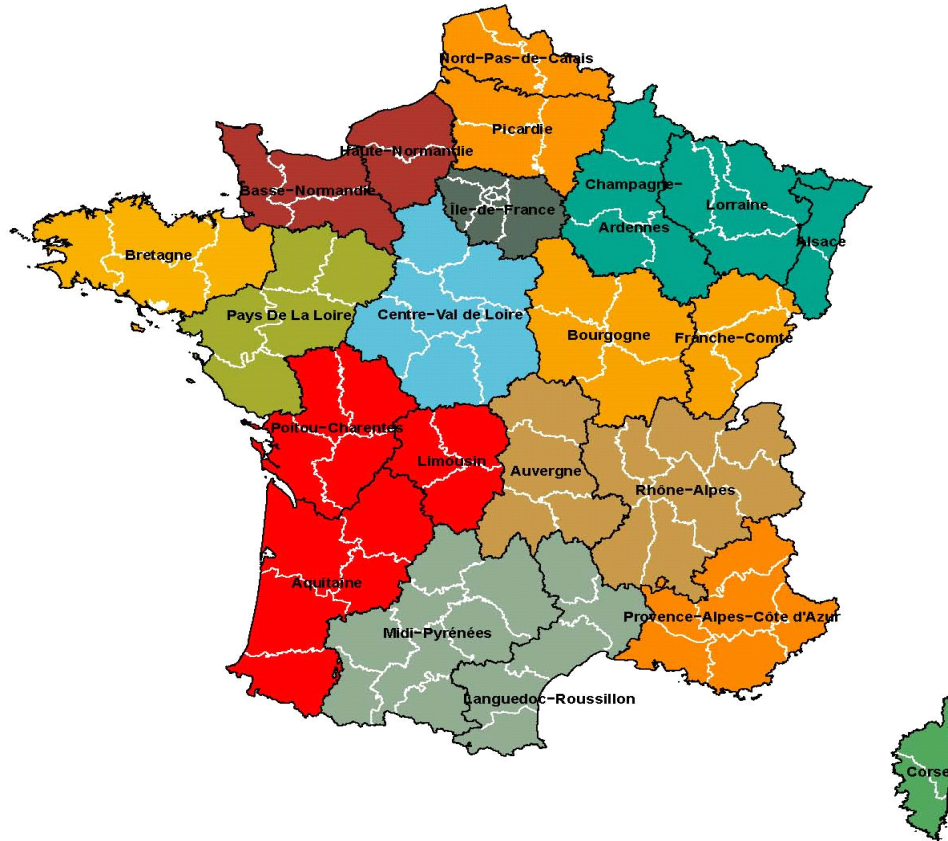
(23) Askenazy, P. and P. Martin (2015), « Promouvoir l'égalité des chances à travers le territoire », Conseil d'analyse économique.

(24) El Kasmi, S. (2013), "Residential mobility and labour market adjustment", *Trésor Economics*, No. 116.

The Act of 16 January 2015 allows for minor amendments to the regional map defined by Parliament to deal with the attribution of certain *départements* (see Figure 2). Under the local government reform, *départements* that so wish can be attached to a region other than the one stipulated in the Act<sup>25</sup>. This possibility opens the way for more economic

coherence within regions and less inequality between regions as the economic geography evolves. This approach considers the economic links of *départements* within their region (average travel time to regional capital, commuting patterns, financial links) and the economic and demographic influence of regions<sup>26</sup>.

Figure 2 : The new regions of mainland France under the Act of 16 January 2015



Source: Open Street Maps.

Key: the white lines are the boundaries of the current *départements*. The black lines are the boundaries of the current regions. The coloured areas identify the new regions.

(25) Article L4122-2-2 of the Local Government General Code stipulates that a *département* and two contiguous regions may request a change to regional boundaries if their governing assemblies all agree. As of 1 January 2016, a change in boundaries will require a three-fifths majority of the votes cast. Currently, a question is put to the voters and must obtain an absolute majority of the votes cast and the number of votes cast must be equal to one quarter of the number of registered voters or greater.

(26) *Op. cit* note 20.

### 3. In addition to boosting the economy, local government reform could be a source of greater efficiency and savings for local administrations.

**Local government reform could also help reduce local government expenditure, through mergers in particular.** At first glance, the impact of a merger on local government expenditure is ambiguous. A merger may make economies of scale possible and restrict emulation patterns, where local governments try to offer the same services as their neighbours<sup>27</sup>. On the other hand, such savings may be neutralised if local governments provide a wider range of services<sup>28</sup>: when it covers a larger market, a local government may decide to pay the overhead costs of certain services that are not provided by smaller jurisdictions. This effect is usually referred to as the "zoo effect" in the economic literature<sup>29</sup>. In this vein, local government reforms and the €10.7bn in cuts to central government operating grants to wards local governments from 2015 to 2017 complement each other: the cuts in central government

transfers to local governments, which are bound to affect the structure of their revenue, are also intended to incentivise for more efficient expenditure and a better organisation of the range of local government services.

**The experience of other countries tends to show that local government mergers can reduce per capita expenditure, without lowering the level of services provided.** Some studies do not reveal any effect on expenditure (Switzerland, Finland, Baden-Württemberg in Germany<sup>30</sup>), while other studies have measured major budgetary gains of up to 9% of total expenditure in the case of local government mergers in Denmark, Israel and Germany (Brandenburg)<sup>31</sup>. These positive effects on government expenditure would be revealed in the medium term.

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(27) *Op. cit* note 11.

(28) Which, in this case, would generate utility or economic efficiency gains.

(29) Oates, W.E. (1988), "On the Measurement of Congestion in the Provision of Local Public Goods", *Journal of Urban Economics*.

(30) Switzerland: Widmer, P. K., G. Elias and P. Zweifel (2012), "Improving efficiency through consolidation of jurisdictions? Evidence from the cantons of Switzerland", *Working Paper*.

Finland: Moiso, A. and R. Uusitalo (2013), "The impact of municipality mergers on local public expenditures in Finland", *Public Finance and Management*.

Germany: Fritz, B. (2013), "Fiscal Effects of Municipal Amalgamation. Evidence from a German State" *Working Paper*.

(31) Denmark: Welling-Hansen, S. *et al.* (2012), "Fiscal management effects of municipal mergers: Steering away from or entering Debtors' prison?" *Working Paper*.

Israël: Reigenwerts, Y. (2012), "Do municipal amalgamations work? Evidence from municipalities in Israel", *Journal of Urban Economics*.

Germany: Blesse, S. and T. Baskaran (2013), "Do Municipal Mergers Reduce Costs? Evidence from a German Federal State", *Working Paper*.

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