Chapter 5

The Local Government Economics in Globalization Process

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ABSTRACT

The global economic and social actors are restructuring both private production and public production patterns. This change process is called globalization. The globalization process brings new opportunities with it. One of these opportunities is to increase the efficiency of the local government economics in public finance. The processes of globalization and localization are twin processes and are progressing simultaneously. With globalization, international capital wants to minimize the nation state and to communicate with local governments themselves. In this context, becoming a member of a local government gets ahead of being a nation-state citizen. In the globalization process, existing public goods productions are trying to simulate the market. Such efforts require the public economy to adapt to the market and such adaptation is characteristic of the local government economics itself. International capital, on the other hand, sees central government as a force to be overcome and wants to establish first-hand commercial relations with the local units.

INTRODUCTION

In the study, the globalization and decentralization relations and the increasing prevalence of The Local Government Economics in this process are examined. The Local Government Economics have new roles and new functions to be introduced in the globalization process. The Globalization of production and capital causes redefinition of competition, changes competition conditions and the most important, foresees the establishment of competition in the public economy. This structure, which means the establishment of relations between the spatial units, leads to a growing tendency of the Local Government Economics within the Public Economics. The globalization and decentralization redefine the way it perceives the place, processes and relationships in the place. The boundary concept, the key concept of
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The spatial paradigm is dimmed and the local units rise to the primary level in the form of perception of the place because the concept of border has ceased to exist. One of the most important factors shaping local governments is, of course, gaining global dimensions of economic and technological conditions.

The attitude towards the phenomenon of globalization varies from person to person and even from time to time. There are those who perceive globalization as a positive and inevitable process, at any cost. In the second group tend not to see this phenomenon alone as inevitable, but at the same time tend to see the encouragement as a process that needs to take place. In the last group argue that the harmful consequences of globalization are outweighing their benefits. In the context of Turkey, as a result of the intense influence of the mass media in general it seems to be in the majority in the first set.

THE GLOBALIZATION AND DECENTRALIZATION PROCESS

The Globalization and Decentralization are complementary concepts. In this context, the Globalization can be defined as the integration of national markets. Especially, the capital flows are the main determinant in the definition of the globalization process. On the other hand, the concept of space is redefined by the new conditions that arise. In the process of globalization, where the concept of border and the limitations have lost importance, the local government structures have easy mobility instead of cumbersome nation-state structures is a more effective and useful unit in terms of the capital flows. The capital must provide its fluidity within the national borders. This brings the process called as the Decentralization to the agenda. There is a new mechanism that the entire system defines with the units (Harvey, 1999). The units foresee a new social structure advocating the local identity.

Along with the globalization, the main economic actor is the local units. New production and capital patterns are based on the character of flexible production organization (Hirst and Zeitlin, 1991) and the flexible production organization characterization brings together decentralization. The flexible manufacturing is organized to be able to respond to fluctuations in demand around the world and variable needs for products (Lipietz, 1986). The aim is to sustain profitability. In addition, international production should be able to keep the production process open to change and to adapt local labor to this process. International capital, on the other hand, is seeking more income by increasing its fluidity.

Decentralization refers to the formation of units that effectively utilize their own capacities and facilities and which can be incorporated into the international trade system and the world trade system (Eraydın, 2001, pp. 369).

While the globalization has accelerated with the aim of overcoming the borders of the nation state and increasing trade and capital flows, the flexibility in production and new division of labor has led to the emergence of local features and localized new production structures. For this reason, the globalization and decentralization are not two opposing tendencies, but complementary processes.

Decentralization implies the rediscovery of local identities and the use of local potential (Cooke, 1989). The regions and cities competitions in the platform of the country and the world, these qualities and identities are invaluable as an advantage. For this reason, the local units, which are defined as part of the nation and the whole nation within the national identity promoted during the development periods of the nation states, rediscover their local identities in order to participate in the process of globalization and to be advantageous in this process (Stöhr, 1990). The local culture and local characteristics are now an important element of competitive advantage. Thus, localization, the autonomization of local units and the identification of local identities gain importance as a driving element of the globalization