



Financiranje velikih gradova

Financing large cities

TEREZA ROGIĆ LUGARIĆ

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Hrvoje ŠIMOVIĆ, PhD
University of Zagreb, Faculty of Economics and Business, J. F. Kennedy 6, 10000 Zagreb, Croatia
e-mail: hsimovic@efzg.hr

Croatian literature in the field of public finance has been prolific in the last ten years. Public finance as a discipline is at the centre of attention not only of economists, but also of other authors in the field of social sciences as well. One of them is Tereza Rogić Lugarić, from the Faculty of Law, University of Zagreb, author of *Financiranje velikih gradova* (Financing large cities).

Public finance represents a demarcation between the political and the economic function of government. This problem is exacerbated when it comes to financing units of local government in Croatia. The country is politically and administratively decentralized, with 20 counties and the capital city, Zagreb, classified as regional self-government units, and 126 cities and 429 municipalities as local self-government units. The author explores the question of financing large cities, which is a problem from the start due to difficulties with defining a “large city” in Croatia and putting it into a comparable international context. For example, the city of Zagreb is a unique territorial and administrative unit that carries out activities assigned to counties and cities. On the other hand, Croatian legislation usually appoints the status of a large city to economic and cultural centers with a population more than 35,000 (15 cities in total have this status, Zagreb not included). It is evident how “large” these cities are in comparison to the multimillion cities of the world. These demographic and territorial grounds for defining a large city do not have to be in sync with the economic importance of the city for a certain region and/or country.

After the *Introduction*, the author discusses this and similar problems in the second chapter of the book – *Theoretical Grounds for Differentiating Cities by Size*. The process of urbanization, i.e. the phenomenon causing the expansion of the urban way of living, is the main reason behind the need for isolated observation of large cities. It is followed by the typology of cities by size and population (cities are classified as large, medium and small). Furthermore, the author analyses the grounds for the economic differentiation of cities and gives examples of the differentiation of cities in France, Germany, Great Britain, Austria and the U.S.

The third chapter – *A Comparative Overview of Financing Large Cities* – analyses the financing of cities from three aspects. The first arises from the principles and functions of large cities, i.e. the model of local self-administration in a certain country. The emphasis is on the possibilities of collecting current revenue (local taxes), intergovernmental fiscal transfers (grants) and the use of collected funds through financing urban infrastructure. The second aspect is related to a comparative overview of authorities in governing revenues and expenditures in European cities. The third part of the chapter analyses the financing of local units of government in France, Austria and the U.S., with an emphasis on the place and role of large cities in these systems.

The first three chapters provide a theoretical framework for the analysis and the comparative overview established certain standards when it comes to financing large cities. The fourth part – *Normative Framework of Large Cities in the Republic of Croatia* – gives an overview of the complex Croatian legislation that determines the activities of local self-administration. Firstly, it analyses the legislation that defines the constitution and the field of authority of large cities, as well as the laws that regulate the system of (public) finance, own sources of funds and budget policy of cities as units of local self-administration. The author also lists a set of other acts, bylaws, charters and other statutes that regulate cities in Croatia. Those statutes are associated with special sectors, areas or questions (e.g. forests, agriculture, public-private partnerships, concessions, public procurement, areas of special state concern) which are important for financing large cities in Croatia.

The fifth chapter – *Financing of Public Needs in Large Croatian Cities in the Period 2002-2006* – is the main part of the book. The analysis comprises six cities: Zagreb, Split, Rijeka, Osijek, Zadar and Varaždin. Besides the basic data for every city, it includes an analysis of the budget (according to economic and functional classification) and an analysis of the financing of local self-administration and certain non-fiscal instruments of financing (municipal bonds).

In the sixth chapter – *Comparative Analysis of Large Croatian Cities' Budget in the Period 2002-2006* – the author continues the analysis by comparing the aforementioned cities. She emphasizes the main differences between these cities, and takes into consideration special characteristics and the position of cities due to political, economic and other surroundings and forms an appropriate conclusion.

In *Conclusion*, the author once again brings out the most important results presented in the book. Firstly, there is a hybridity of the position of cities in modern societies, especially in the context of interior, functional, administrative and territorial and constitution. Secondly, there are limitations in the Croatian approach in defining cities as a local unit due to its size and population, as well as the model of local self-administration, which classifies cities and counties as units of regional self-administration. Lastly, budget funds are directed to maintaining communal and other activities, while its relation to developing large cities is uncertain, i.e. subordinated to administrative obligations. It is not possible successfully to finance city development with the existing budget model.

As mentioned in the introduction, Croatian literature in the field of public finance is becoming more and more prolific. There are a large number of books and other publications dealing with the problems of local public finance and fiscal decentralization. This book represents a new contribution to the topic as it elaborates a narrow area (large cities) and contains a new dimension that observes financing large cities through the process of urbanization and administrative constitution. Thus one can say that Tereza Rogić Lugarić has created a valuable read which will

be of great use in familiarizing oneself with the complex problem of financing large cities. This book can serve everyone interested in the problem of local public finance – researchers, college professors, students, employees and executives in city administrative bodies in Croatia.