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Executive Summary

Old-line manufacturing cities have taken it on the chin in recent years. Just ask city officials in Dayton, Ohio. As Dayton's metropolitan area grew to almost 1 million people, the central city's share of the regional population declined from more than one-third in 1960 to just 18 percent in 1990. The decline is likely to continue as the city struggles to maintain its economic tax base.

Just ask the employees at the General Motors plant in downtown Dayton. GM is going to move 1,000 jobs to a more modern facility in suburban Moraine. Faced with billion-dollar losses, the company plans to close four other manufacturing plants in the city and move the jobs north to suburban Vandalia or to Canada.

Those events, like plant closures in countless other cities and towns throughout the Northeast and the Midwest, have severely challenged a city that has experienced blow after blow to its economy during the past two decades. In 1991 alone, a major marketing firm announced it would move 800 white-collar jobs from Dayton to its headquarters in Minneapolis; a national airline announced the closing of a major regional hub at the Dayton International Airport; and a major regional retailer severely scaled down its downtown anchor. Those changes add to the ominous uncertainties attached to the recent hostile takeover of Fortune 500 company NCR (founded and headquartered in Dayton) by AT&T and declining defense contracts at Wright Patterson Air Force Base (which employs over 25,000 civilians largely in white-collar and technical jobs).

Although Dayton's decline is certainly not unique--similar events have been standard fare in most manufacturing towns since the 1960s--its proposed solution is. To preserve Dayton's position as the "heart" of the sprawling metropolitan area, more and more public officials are advocating a city-county merger. "Dayton deserves to survive as a nice place to live," the editor of the region's principal newspaper writes, "and its citizens deserve as much."[1] Since the leadership days of the city are "over," merging the city with the county is seen as the way to revitalize the core of the region by tapping county-wide resources (money) and reaping economies of scale by providing public services through a larger, more encompassing government.

Dayton and its satellite communities are riding the wave of a new era of regionalism in local government. Unable to revitalize their once-vibrant central business districts, cities across the nation are turning to an old standby as the new panacea for their development woes: regional governance.

Under the banners of "regional cooperation" and "regional development," local governments are banding together to

"plan" the future of their metropolitan areas. Fragmentation and decentralization, regionalists argue, are compromising the ability of cities to compete successfully in an increasingly competitive global environment. Only by pulling together through cooperative arrangements and, in some cases, consolidating local governments can metropolitan areas solve pressing urban problems such as poverty, affordable housing, education, and job creation.

The new proposals move far beyond the more limited special districts designed to provide a specific public service, such as parks and recreation, over a wide geographic area. The regional governance proposals that form the core of the new wave of regionalism are comprehensive. Most involve consolidating economic development functions under a unified government whose authority supersedes that of independent municipalities and the private sector. Proponents of consolidation argue that providing public services and coordinating programs through a government monopoly will be more efficient than allowing dozens, sometimes hundreds, of smaller governments to compete against each other.

The trend toward regional government, however, is likely to exacerbate the problems it is intended to solve. Although there are legitimate concerns about cooperation among local governments, particularly on large public projects such as road and sewer systems, a more consolidated local government structure would probably decrease the ability of local governments to provide public goods efficiently and cost-effectively. Attempts to consolidate governmental authority imply that public goods and services are best handled by a single comprehensive organization. Experiences with regional attempts to solve local problems have confirmed the worst fears of opponents of regional government about the excesses of monopoly government. Moreover, the private sector, with its more innovative and flexible alternatives, has often been more efficient than larger, bureaucratically controlled local governments.

The solution is more likely to be found in a competitive, decentralized governmental system. Instead of undermining the diverse interests that make up metropolitan America, urban policy should free political markets to ensure that the desires of local residents are fully expressed in the policymaking process and the private sector is given the fullest possible latitude to provide needed goods and services. Public services are often provided more effectively and efficiently through privatization, which allows private markets to develop innovative new services and products that reflect the changing needs and wants of local consumers. That goal can be reached only by avoiding a consolidated, monopoly regional government system that depends on one organization to provide all public goods. A decentralized, fragmented political system that is competitive and responsive can achieve that goal.

Recent Trends toward Regional Government

City-county mergers are once again coming to the forefront of the debate over local governance. When officials in the Dayton area venture into the competitive business world to attract new industry and employment, merger proponents argue, they sell Dayton, not the smaller satellite communities buried within the larger metropolitan area. Creation of a "regional identity" requires that communities band together to coordinate and plan future development and services.

To date, 30 U.S. cities have merged with their county governments; the last of those mergers occurred in the 1970s. Mergers have included cities as large as Indianapolis, Indiana; Lexington, Kentucky; and Nashville, Tennessee; and as small as Baton Rouge, Louisiana; and Sitka, Alaska. More recently, residents of Fort Wayne, Indiana, have considered merging their city and county governments to enhance coordination, consolidate bureaucracies, and reduce the number of layers of government.[2] Other cities cite the lack of local leadership, economic disasters, and fiscal inequality within metropolitan areas as reasons for consolidating or merging local governments.

The United States is not the only country in which governments are being merged. New Zealand has completely revamped its local government structure to eliminate two- thirds of all local governments through consolidation. More and more public managers are viewing such consolidation favorably. A city manager reporting on the events in New Zealand prophesied:

My visit has convinced me that they [New Zealanders] also will overcome a rocky transition period to make local government "amalgamation" work. And who knows, in these times of limited resources, it may well be that we in U.S. local government will have to take a page from the New Zealand consolidation plan in order to continue to provide costeffective local services in the future.[3]

Regional governance has become an important part of the modern planner's "vision" for the future. Indeed, people who write about local governance rarely question the efficacy of consolidation; they take at face value the purported efficiencies of unified, monopolistic local government. Stephen C. Forman, former executive director of the Seattle Municipal League, contends that local policymakers and citizens do not lack the ability to solve problems regionally. Rather, they are not yet "prepared" to solve their problems "with a truly regional focus" that implies giving up the "religion of local control," accepting a more encompassing sense of "home" (presumably a geographically larger urban area), and becoming "less relentless" in the pursuit of their "fair share."[4] Local communities lack only the will to implement regionalism to solve myriad problems.

Regionalism and the Growth of the Metropolis

The call for a larger, monopoly government on the local level is a product of the changing economics and politics of urban America. America's population has become increasingly urbanized, although less concentrated in central cities. The number of metropolitan areas--defined as central cities with over 50,000 people and metropolitan areas of at least 100,000--has increased by two-thirds since the early 1960s. The proportion of the nation's population in metropolitan areas increased from 63 percent in 1962 to 77 percent in 199

0.

Yet growth has occurred primarily outside the central cities. Although suburbanization has always existed, the post-World War II movement dwarfed all other urban demographic shifts.[5] The promise of a single-family detached home on a quarter-acre lot became a reality for millions, pushing the proportion of households that owned their own homes to almost 64 percent by the late 1980s. The search for less congestion, fewer people, and "good" schools further fueled suburban immigration. Prompted by federal subsidies for new home buyers (available through the Federal Housing Authority, the Farmers Home Administration, and several home mortgage guarantee associations), government policies reduced interest rates and lowered down payment requirements from 30 percent to under 10 percent on new home purchases. The effect was to boost the proportion of suburban dwellers in America from 30 percent in the mid-1960s to 45 percent in the 1980s.

The implications for the central city were staggering. In a recent survey of the fiscal "health" of central cities, economist Roy Bahl found that most major central cities have experienced a steady erosion of their economic base over the past several decades.[6] Even cities in the South and West such as New Orleans and Denver began to experience job losses by the mid-1980s despite the economic growth of the larger metropolitan areas.

As a result, the American metropolis consists of a patchwork of cities, villages, and unincorporated areas surrounding economically depressed central cities. The average metropolitan area contains over 100 governmental units. Most have developed an identity that is independent of the decaying urbanity of the traditional manufacturing city. The effects of those changes were summed up by political scientist David Walker, who observed that today's metropolitan areas

> are now more diverse in (a) population and territorial size, (b) the mix of private economic functions and the range of public services offered, (c) the respective position of the central cities vis-a-vis outside central city jurisdictions, and (d) the kinds of jurisdictional complexity.[7]

In the "old days" (perhaps before the 1970s) metropolitan areas were defined by their central cities. In the 1990s central cities may be defined by the vibrancy of their suburban cities.

Ironically, central cities provided the economic vitality that enabled thousands of residents to abandon their inner-city neighborhoods every year. Now, with high-technology firms leading economic growth in metropolitan areas, the vitality of central cities may depend on the economic vitality of the suburbs. Boston's revitalization may have more to do with the success of companies such as Lotus, Wang Laboratories, and Data General on the outer beltway (Route 128 and I-495) than with its ability to harbor and nurture companies inside the city limits.

Joel Garreau, in an important new analysis of metropolitan development and change, argues that the emerging economic centers, or edge cities, are providing the economic foundations for downtown revitalization. Edge cities, he points out, are the source of jobs and wealth in the 1980s and 1990s. Without those emerging bastions of vitality and employment, "the plight of old downtowns would have been immeasurably worse."[8] Garreau counts over 200 edge cities dotting the urban landscape of America, fueling economic growth, and saving traditional central cities.

Edge cities, or "urban villages,"[9] are essentially grown-up suburbs. Garreau, for example, sees those new cities as part of an evolutionary process. When people had the money, they moved out to the suburbs, which were primarily bedroom communities. Soon, suburbanites became tired of spending extraordinary amounts of time commuting to their jobs in the big cities and began starting businesses closer to home. Often, the new edge cities were located near major highways. Thus, the bedroom communities of the 1950s and 1960s have emerged in the 1990s as smaller, more hospitable urban places that ring large central cities.

Los Angeles provides a striking example of how important the urban village has become in recent years. Although Los Angeles is the central urban core of its region, 16 smaller "urban-village cores" have emerged. Since 1960 Los Angeles's share of the metropolitan area's office market has declined from 60 to 34 percent as most of the new office space has been built in outlying suburban areas. Orange County's population, which blossomed from fewer than 900,000 in 1960 to almost 2 million in 1980, is concentrated in the Costa Mesa/Irvine/Newport Beach urban village. New jobs and office space have made that urban village the third largest downtown in California.

Shifting Manufacturing Jobs. Edge cities have become centers for employment in services and modern manufacturing in the second half of the 20th century. Traditionally, central cities served as the primary home for America's manufacturing industry. But the fate of the central cities has paralleled the decline of old-line manufacturing firms. The pillars of the manufacturing industry--the automobile, steel, rubber, textile, and other traditional sectors--lost their prominence on the commanding heights of the U.S. economy.

In their place emerged a newer, more entrepreneurial sector: high-technology manufacturing. From 1972 to 1982, 87 percent of all new manufacturing jobs were in high-technology industries.[10] More important, with advances in telecommunications and transportation, central cities lost their hold on manufacturing firms and large service companies. New York City has lost 200,000 manufacturing jobs and 50,000 financial jobs since 1987, a result of the 1987 stock market crash and the relocation of corporate offices.[11] Among the companies that have moved out of the city or moved substantial parts of their corporate offices to other cities are J. C. Penney, Exxon, Salomon Brothers, W. R. Grace, Mobil, and Merrill Lynch. Some of those moves, such as those of Exxon and Merrill Lynch, have just been across the river into New Jersey or elsewhere outside the city.

Many high-technology manufacturing firms are looking for different things when they relocate--access to higher education, a better trained workforce, better public schools, and more land for developing large single-story factories.[12] In many cases, those companies can be run from virtually anywhere including a small town: IBM's headquarters is located in Armonk, New York; General Electric is located in Fairfield, Connecticut; and AT&T is located in Warren, New Jersey. But, as Garreau observes, although the towns themselves may be small, the high-tech firms have provided the economic foundation for sprawling development such as Tysons Corner outside Washington, D.C., in northern Virginia.

The full impact of the outmigration of manufacturing jobs from central cities to the suburbs in the 1970s can be seen in data collected by sociologist John D. Kasarda (Figure 1). Looking at employment changes in six major metropolitan areas in the North and Northeast, Kasarda found that central-city employment declined substantially from 1970 to 1980. Cleveland's central city lost 42,720 jobs from 1970 to 1980 while the suburbs gained almost 100,000. Chicago lost 88,660 jobs while its suburbs gained an astounding 630,040.

Figure 1
Change in Jobs in Selected Central Cities: 1970 to 1980
(Number of Jobs (In Thousands))

	Central City	Suburban Areas
Boston	-46,480	366,380
Chicago	-88,660	630,040
Cleveland	-42,720	97,060

Detroit	-104,860	186,920
New York	-95,080	489,080
Philadelphia	-70,860	171,900

Source: John D. Kasarda, "Urban Industrial Transition and the Underclass," Annals of AAPSS 501 (January 1989): 29.

(Graph Omitted)

The rise of high-technology industries is symptomatic of the broader trend toward what Thierry Noyelle calls the shift to "advanced services,"[13] which tend to favor suburban locations over central cities. Those firms have become an essential part of the suburban landscape because they provide businesses with services (e.g., consulting, accounting, clerical work, and printing) that are used to aid research and development, assist in production planning and engineering, and help manage increasingly complex corporations. That shift favors large, diverse metropolitan regions (not necessarily central cities) such as the New York City region, Chicago, Los Angeles, and San Francisco. Noyelle found that fully one-third of the nation's largest 1,150 corporations as well as almost one-fourth of the nation's industrial divisions have their headquarters in such centers. Meanwhile, traditional manufacturing centers such as Dayton or Akron get left behind as they struggle to restructure after the downsizing of old-line manufacturing industries. Akron may still be the rubber capital of the United States, but the decline in employment has left the metropolitan area in an economic lurch.

New York City and nearby jurisdictions are often heralded as the quintessential diversified metropolitan area. Corporate and nonprofit firms (including the government) employ nearly two-thirds of the local labor force, and 30 percent of the nation's banking assets are concentrated in New York City banks. After a severe financial crisis in the mid-1970s, New York City appeared to rebound in the 1980s, adding 240,000 jobs in corporate activities between 1980 and 1986 despite the loss of 100,000 more manufacturing jobs.[14]

Despite the shift to advanced service jobs in the metropolitan area, New York City was losing its dominance. Kasarda's data show that, from 1970 to 1980, the city lost 95,080 jobs while suburban areas gained 489,080. Manhattan's proportion of the metropolitan area's commercial office space dwindled from 67 percent in 1982 to 60 percent in 1985.[15] The stock market crash in 1987 and corporate decisions to move headquarters have further eroded New York City's position within the metropolitan area.

The result, of course, is that fewer and fewer jobs are available in America's central cities for the less educated and low-skilled members of society. The numbers of factory jobs, once common in central cities, are growing in the suburbs but declining in central cities (Figure 2). Although blue-collar jobs declined by 118,860 in Chicago from 1970 to 1980, they increased by 237,900 in the suburbs. In Boston, blue-collar jobs declined by 62,500 during that period, but suburban areas gained over 116,000. As Kasarda points out, that shift in employment translates into declining opportunities for central-city residents, particularly minority groups, who now face long commutes to jobs in the suburbs.

Figure 2
Change in Blue-Collar Jobs in Selected Central Cities: 1970- 1980
Number of Jobs (Thousands)

	Central City	Suburban Areas
Boston	-62,500	116,440
Chicago	-118,860	237,900
Cleveland	-34,580	23,800
Detroit	-89,860	29,320
New York	-171,500	27,080
Philadelphia	-75,200	29,500

Source: John D. Kasarda, "Urban Industrial Transition and the Underclass," Annals of AAPSS 501 (January 1989): 29.

(Graph Omitted)

The migration of firms was further aided by the development of the interstate highway system. Originally designed as part of an elaborate national defense transportation system, interstate highways have become the primary arteries for economic development. By restricting access to major thoroughfares, the federal government inadvertently made suburban development cost-effective. "Edge cities," notes Garreau, "are most frequently located where beltwaylike bypasses around an old downtown are crossed at right angles by freeways that lead out from the older center like spokes on a wheel."[16] Ease of access is one of the most important defining characteristics of emerging economic centers. After all, the primary function of edge cities is social: they bring people together.

As central cities continued to decline, suburban communities emerged as powerful economic and political forces capable of challenging the influence of once-dominant central cities. For example, faced with a potential $41 million deficit in 1991, New Orleans politicians would like to institute new taxes to cover the shortfall. But the city's mayor claims, "Pressure from suburbanites is part of the reason we can't have a wage tax or gas tax."[17]

A New Role for the Central City. The growth of edge cities, urban villages, and ring cities has clearly backed central cities into corners of the metropolitan regions they used to dominate. Rather than becoming centers for manufacturing jobs, they are becoming service and administrative hubs for the entire metropolitan area. In earlier generations, central cities played a leadership role because of their sheer size and dominance of their immediate areas. In modern times, the dominance of central cities is due to the economic functions they perform and their ability to provide services (e.g., administration, centralized banking, and regionally focused consulting) to outlying areas. If they fail to fill those roles, central cities will continue to decline.

The central city has not died. Instead, it is being transformed. Cities are no longer the manufacturing centers they once were and have taken on new roles as administrative and service hubs in their regions. The rigors of the market are forcing cities to adapt to new economic and social environments; cities are increasingly conforming to the world of Charles Tiebout.[18] Tiebout theorized that governments would be disciplined by population movements in and out of their jurisdictions. In essence, rather than try to influence local policy through the voting booth, people would "vote with their feet" and move to cities that reflected their preferences for public services, taxes, and other amenities (e.g., parks, trees, and golf courses). It appears, in the 1980s and early 1990s, that residents of metropolitan areas have overwhelmingly opted out of the dense urban environment of the central city for the more spacious and less dangerous urban village and suburb.

The Push for Consolidation and Regional Cooperation

Those events have also created a new political dynamic within the metropolis. Instead of acquiescing to central cities' calling the shots in local development--a familiar situation in the political machine era of former Chicago mayor Richard J. Daley; Tammany Hall in New York; or, more recently, William Donald Schaefer in Baltimore--numerous other cities are now clamoring for their "share" of the development pie. Not content to succumb to their less dominant role, central cities are spearheading efforts to regain their former preeminence.

Policy Wars in the Modern Metropolis

Central cities routinely claim that they provide uncompensated services and infrastructure to suburban residents. The seeds of the debate were sown as far back as the late 1960s when economist William B. Neenan analyzed the problems of the Detroit metropolitan area. Although Neenan's claims have been largely discredited by mainstream urban economists, the points he raised were important and still carry a lot of weight in discussions of the suburban "exploitation" of central cities.

Detroit, Neenan observed, like other cities such as Cleveland, St. Louis, New York, and Boston, faced wholesale abandonment by its residents and businesses, which were feeding growth in the suburbs. Neenan tried to determine what uncompensated benefits the suburbanites received from being close to the central city. He found that several suburban communities enjoyed "a considerable welfare gain through the public sector from Detroit."[19] That gain was manifested mainly in access to services such as tax-exempt and city-run hospitals, water services, and limited-access highways. The more contact suburban residents had with those services, the larger the subsidy they received. The existence of central-city subsidies led Neenan to conclude that "the tax contribution of suburban residents to the central city can be markedly increased without offsetting the welfare gain they are currently enjoying from the central city public sector."[20]

Within the context of modern development, the argument goes, while the city is subsidizing outlying areas by paying for local infrastructure, suburban cities are contributing to unbalanced economic development. Some economists and urban scholars claim that metropolitan development is a zero-sum game in which one (suburban) city's gain is another (central) city's loss. Local development, they argue, is determined primarily by regional, not city-specific, conditions.[21] Therefore, local development policies that are designed to attract businesses are inherently self-destructive since they merely "rob Peter to pay Paul."

Suburban cities, central-city development officials continue, have vacant land, low population densities, relatively new roads, and a property tax base (mainly expensive homes) capable of financing quality public schools. Central cities, on the other hand, grapple with abandoned buildings, rising crime rates, pollution, and aging infrastructure. Traditional cities, they suggest, can hardly be expected to compete successfully for new business given those inequities.

Frustration among local policymakers and planners witnessing sprawling urban growth provides the primary impetus for recent attempts to resolve the inherent conflicts and policy battles among dozens, sometimes hundreds, of competing governments. One of the most recent ideas is to implement region-wide planning and, in some cases, consolidate local governments into one metropolitan-area-wide organization. For example, Leinberger and Lockwood conclude in their analysis of the urban village phenomenon:

> Probably the best solution is the creation of strong, effective, multi-city and multi-county agencies, and perhaps even entire government structures, that correspond to the actual economic and psychological boundaries of a metropolitan area and its urban villages.[22]

Several forms of regional cooperation have been devised to redress inequities in the tax base and the provision of public services within the metropolitan area by strengthening the hand of central cities. One of the simplest and earliest attempts was made in Miami, Florida, which created a consolidated city-county government in 1957. The metropolitan government's authority has increased dramatically as local governments have continued to transfer responsibilities to the area-wide government.[23] Other major cities and counties that have effected city-county consolidations include Nashville Davidson County, Tennessee, and Indianapolis-Marion County, Indiana. In the case of Indian apolis, the effect of consolidation was to greatly strengthen and centralize administrative and budgetary authority, particularly over the increasingly important issues of economic development.[24]

Some areas have taken a less dramatic but equally comprehensive approach. The Twin Cities Metropolitan Council was established in Minneapolis-St. Paul in 1967. The regional council enjoys policy control over area-wide special districts, housing, school districting, and development guidelines. In 1971 the Twin Cities Metropolitan Council adopted regional tax-base sharing to offset the "imbalance between public service needs and financial resources in certain communities."[25] The concentration of industrial and commercial property in some areas, proponents argued, impedes investment in other communities with smaller tax bases (and higher local tax rates). Communities with smaller tax bases, despite their higher tax rates, were not financially able to provide the same level of services as communities with larger tax bases. Tax-base sharing would, in principle, lessen the fiscal inequities within the metropolitan area. In addition, competition for business development through tax incentive programs promoted urban sprawl, straining local infrastructure in the region.[26] Although tax-base sharing was meant to address fiscal problems, one of its primary advantages, according to the program's proponents, was its ability to enhance planning objectives by directing development to declining areas and promoting "orderly" growth.[27]

The empirical record has been substantially less impressive than proponents of consolidation had expected. For example, the Twin Cities Metropolitan Council, which includes 7 counties and 250 local governments, has had "marginal" impacts on land-use planning.[28] Simulations of tax- base-sharing formulas have indicated that the redistribution of funds has actually created new inequities and other "anomalies." A simulation of the potential effects of a tax-base-sharing plan similar to that of Minneapolis-St. Paul was conducted for San Diego County, California. That simulation indicated that the program would actually redistribute wealth to relatively well-off communities that have a low demand for public services.[29] Even a statistical analysis of the Minneapolis-St. Paul plan found an "uneven and haphazard" relationship among communities with different tax bases.[30]

In fact, the only substantial effect of the tax-base- sharing plan has apparently been to redistribute property tax revenues within the seven-county planning area (although the direction of the transfers is not always clear or desir able).[31] According to the Minnesota House of Representatives Research Department, 32 percent of the fiscal disparity among local governments will be eliminated by 1995.[32] (Numerous other communities have entered into tax-base- sharing arrangements as a result of the Minnesota experience.)

Regional approaches to problems were first implemented on a large scale in the 1960s. Some states have gone further than others. For example, California has 14 regional organizations addressing specific issues such as air pollution, hazardous waste, and transportation problems.[33] Several other forms of intergovernmental cooperation, such as mutual aid agreements, city-county contracts, and councils of governments, facilitate coordination of local services.

The Reemergence of Regionalism

After brief disillusionment with and disinterest in consolidation in the late 1970s and early 1980s, proposals for metropolitan-area-wide approaches to urban problems have emerged once again to save the metropolis from anarchy and chaos. As mentioned earlier, cities are showing increased interest in city-county mergers. "Hybrid" forms of "intercommunity partnerships" have been created to address regional issues and problems.[34] When the Fort Drum military base was upgraded in Watertown, New York, three counties combined forces to create the Fort Drum Steering Council to address concerns about land-use regulation, social service coordination, and infrastructure development. The Greater Cleveland Growth Association pulled together businesses in the Cuyahoga County area to generate $500 million to address county-wide sewer and water issues and other public works management problems.

Although many cooperative arrangements are packaged in less ambitious language--"cooperation" is used instead of "consolidation"--most advocates are pushing for more centrally directed regional and urban policy. Local government attempts to solve problems through regional organizations have been "institutionalized" in some areas, reports local government consultant William Dodge. In Georgia, he notes, regional development councils were created by the state legislature, which also mandated financial support and participation by local officials. Moreover, local "governments are required to prepare comprehensive plans consistent with regional plans."[35] Although regional planning authorities have been approved only in Portland, Oregon, and Minneapolis-St. Paul, the trend is toward more "cooperation" and "regional coordination," often through more comprehensive regional organizations.

The Experience with Consolidated Local Governments

Proponents of consolidation point to several expected advantages of eliminating fragmented local government.[36] First, consolidation would reduce exploitation of the central city by suburban areas. Indeed, the experiences of the Minneapolis-St. Paul program and other region-wide tax-base- sharing plans suggest that tax revenue redistribution to the central city is an achievable goal (although the patterns of redistribution are difficult to predict and some well-off communities may benefit along with poorer ones). An analysis of tax revenue patterns in Dade County indicated that the net gainer in the 1957 consolidation was the city of Miami (at the expense of the surrounding areas).[37] Unfortunately for those who believe the central cities are exploited, most studies analyzing the problem conclude that suburbanites pay their share of the costs of city services through taxes and user fees.[38] Indeed, in some cities, over half of municipal revenues comes from sales and income taxes that are paid, in large part, by suburban residents who work and shop in the central city.

Proponents of regional control make important claims about the expected benefits of metropolitan-area-wide planning. New Jersey and Florida, for example, are implementing state-wide growth controls to steer development into areas considered appropriate by the state's planners.

Noyelle cites the need for a "new industrial policy" that would include severe restrictions on private corporations' freedom to move resources and organizational functions. "Ultimately," Noyelle concludes, "what may truly be called for is an industrial planning apparatus that permits both a more evenly distributed economic development process and a fairer measurement and distribution of the social costs of transition."[39]

However, an empirical analysis of urban sprawl has shown that such planning is efficient where "urban sizes are the result of an orderly market equilibrium where competing claims to the land are appropriately balanced."[40] In an analysis of Florida's Growth Management Act, economist Randall Holcombe observes that urban sprawl is desirable if it translates into less dense living environments (through the development of more environmentally sound single-family detached housing) and decentralized growth.[41] Even strip development is economically and socially beneficial. "Busi nesses prefer to be on arterial roads to be more accessible," Holcombe notes, "and homeowners prefer to live away from arterial roads to be away from the traffic. That natural pattern of development creates string development."[42]

Moreover, an analysis of St. Louis County, Missouri, indicated that metropolitan-area-wide concerns could be addressed despite the decentralized nature of local decisionmaking. The county has a population of almost 1 million people; 90 municipalities; 23 school districts; 25 fire protection districts; and numerous other organized subdivisions, county-wide associations, and special districts. According to the Advisory Commission on Intergovernmental Relations (ACIR), the provision of public services by a single unit of government (i.e., metropolitan government) would be "suboptimal."[43]

Each community and organization allows for public expression of specific tastes and preferences that become part of the political process. The report observes that it "is the elaborate infrastructure of political organization that often gives civil communities in metropolitan areas their distinctive qualities."[44] Destroying the complexity of local governance by replacing fragmented local governments with a larger monopoly government risks undermining the ability of the government to serve the interests of diverse constituencies.

Concentrated Interests and Public Spending

A second advantage claimed for centrally directed regional governments is their ability to economize by pulling a number of diverse agencies and districts under one administrative roof. In a larger geographic region, public investments in water, sewers, roads, utilities, and other activities would be better coordinated. With more efficient organization and a wider planning area, a metropolitan-area- wide government "could exploit scale economies in the provision of public services, so it could produce public services at a lower cost."[45]

Empirical studies have consistently failed to find significant economies of scale in city services. Most city services experience a U-shaped cost curve. Average costs fall over a range, flatten, and then begin to rise. According to one estimate, economies of scale may exist for communities with populations of up to 15,000. Beyond that point, costs either are constant or rise.[46] In fact, most mainstream economists claim that diseconomies of scale in city services are due to increased administrative costs--the very costs regionalists claim will decrease and thus give rise to new efficiencies.

Unfortunately, the costs associated with the public sector are likely to increase if a more consolidated local government structure is implemented. The reasons are fairly straightforward and follow directly from a realistic assessment of the way government actually operates. When bureaucrats and politicians are removed from close, day-to-day contact with citizens, the incentive to spend increases and the incentive to reduce costs decreases.

Thus, at the heart of the debate over regional government and efficiency is the controversy over political accountability. In democratic societies, taxpayers pass judg- ment on their elected officials through the ballot box. The further elected representatives are from voters, the less likely they are to be held accountable through the political process. In the end, elected officials and bureaucrats charged with carrying out government policies pursue personal interests rather than the public interest.

Nobel laureate James Buchanan and fellow economist Geoffrey Brennan refer to that form of government as "Leviathan": citizens have little effective control over most government decisions. Policy is made primarily by budget-maximizing bureaucrats and politicians who are removed from the accountability of the ballot box.[47] The further the government moves from citizen involvement, the less control voters have over budgetary and policy decisions. As a consequence, governments increase spending in response to the wishes and desires of public servants, not those of the general public. Clearly, in that scenario, a more decentralized government structure would be more successful in controlling the growth of government.

Voters are keenly aware of the consequences of distancing politicians and public servants from the reins of voter control. In fact, the "religion" of local control mentioned earlier can be interpreted as an attempt by citizens to maintain accountability in local government. Even Stephen Forman, a proponent of regionalism, acknowledges that there is overwhelming evidence that citizens do not want to relinquish control of important local powers to a large consolidated governmental entity. Consolidated local government means, fundamentally, that "fewer people will be making decisions for a larger number of people. Many more individuals . . . will lose more power or control than they gain."[48]

Forman's observations of attitudes toward government are reinforced by public opinion surveys. Analyzing data that spanned almost a decade, the ACIR found that the public was highly skeptical of government on all levels. Majorities of the respondents to their survey indicated that the federal, state, and local governments performed their duties "efficiently and at least cost" only some of the time or hardly ever.[49] The survey broke down responses according to whether the respondent lived in the central city or the urban fringe. Respondents in the urban fringe, which is characterized by smaller and more numerous local governments, consistently rated their local governments more efficient than higher levels of government. Fifty-three percent of the respondents living in the urban fringe believed their local government performed "efficiently and at least cost" most or almost all of the time (Figure 3). In comparison, only 34 percent of the respondents in the central city, which is often characterized by a large, more centralized government, believed their local government performed "efficiently and at least cost" most or almost all of the time. To some extent, reluctance to transfer responsibilities to higher levels in government may be attributable to perceptions of the relative efficiency of local governments in the two areas.

Figure 3
How Much of the Time People Believe Local Governments Perform Efficiently and at Least Cost

	Urban Fringe	Central City
Almost All	7%	5%
Most	46%	29%
Some	34%	44%
Hardly Ever	10%	16%
Don't Know	3%	6%

Source: ACIR, Changing Public Attitudes on Government and Taxes: 1988, p. 32.

(Graphs Omitted)

Although Forman notes that many citizens are reluctant to transfer power to higher levels of government, he also emphasizes the enhanced role special interests play in the policymaking process. The narrowing of political control over issues such as land use and regulation provides incentives for "rent seeking," which occurs when interest groups seek to profit from the political process. The more control governments have over urban development, the more incentives local developers and other special interests have to lobby the local planning commission to adopt rules and regulations favorable to their projects. Regional government, by extending governmental control and interests to a wider and more comprehensive range of issues, becomes even more susceptible to that type of political pressure because it weakens accountability through the electoral process. To the extent the special interests are successful, the political system becomes less responsive to the citizens.

Proponents of more centralized regional government must address the issues of accountability and representation. In complex modern democracies, bureaucracies have assumed larger and more complex roles than ever before. Most activities fall well outside the scope of the general electorate, on the federal as well as the state level. Many questions are so complex and take so long to resolve that they are unlikely to become issues in election campaigns.

Most important, those concerns are not purely theoretical. Economist Michael Marlow, who looked at government spending from 1946 to 1985, found that lower levels of government are more likely to restrain spending.[50] Marlow's results also indicate that the size of government declines with rising income levels and increases with population.

Unfortunately, the data used by Marlow were highly aggregated; they covered only total spending on the federal, state, and local levels. To more adequately discern the differences in spending habits among governments at different levels, Marlow and David Joulfaian compared the spending levels of the states.[51] The data confirmed, once again, that larger governments were likely to have higher spending levels than smaller governments. Moreover, the authors used two different measures of decentralization, one reflecting the concentration of government expenditures on the local level and the other reflecting the number of potentially competing governments. In essence, Leviathan is alive and well in American government and public policy.

The Behavior of Consolidated Local Governments

More to the point, numerous studies have demonstrated that consolidated local governments spend more money and tax their citizens at higher levels than do cities that have re mained in decentralized regional government structures. A survey of the literature on consolidations published by the ACIR observed that "consolidated governments have expanded public services considerably" and even expanded services "that were not given much emphasis in the pre-consolidation period."[52] Higher spending, of course, requires more revenues to finance new public services.[53]

Specific examples highlight those findings:

* In an analysis of 164 counties in 16 southern states, Richard Wagner and Warren Weber found that consolidation and centralization led to higher expenditures. When they looked at types of spending, Wagner and Weber found that centralization also led to a change in spending patterns; it shifted focus away from public services such as hospitals, housing, and urban renewal.[54]

* An analysis of 24 states revealed that laws restricting the incorporation of new governments increased government expenditures by as much as 29.2 percent on average.[55]

* David Sjoquist analyzed 48 southern metropolitan areas and found that central cities that compete with several other local governments spend less. Sjoquist concluded that "the level of expenditures will fall as the number of jurisdictions increases."[56]

* An analysis of Miami-Dade County found that expenditure levels rose after consolidation.[57]

Those empirical findings are consistent with public opinion data collected by the ACIR on governmental productivity.[58] From 1983 to 1988, the commission asked respondents which level of government gave them "the most" for their money. Although the general public appeared to be evenly split among federal, state, and local levels of government, perceptions diverged when respondents were categorized according to urbanization. Figure 4 provides a general breakdown of the responses according to whether the respondent lived on the fringe of the metropolitan area (suburbs and exurbs) or in the central city. Fringe area residents consistently rated their local governments more efficient than did central-city residents.

Figure 4

Perceptions of Local Government Efficiency: Fringe vs. Cent- ral City

Source: ACIT, Changing Public Attitudes on Government and Tax- es: 1988, pp. 15-17.

(Graph Omitted)

Although one should be careful not to read too much into those survey results, the responses provide a broad indicator of the relative faith residents have in their local governments. Moreover, "the percentage of respondents picking the federal government as giving them the most for their money has declined since 1972,"[59] suggesting increased skepticism about the ability of higher levels of government to provide public services. Judging by the empirical work on spending and budgeting decisions, that skepticism is well-founded.

Markets and Resource Coordination

Those results are important for understanding the evolving role of local government in the modern metropolis. A major goal of regional coordination and consolidation is the equalization of tax rates and public spending levels among local governments in metropolitan areas. The evidence suggests that such equalization is an achievable goal. Yet fiscal equality may obscure differences in tax and spending policies that reflect the interests and desires of local residents. Muddling those differences will further reduce incentives for policymakers to experiment with various programs and policies that might stimulate economic development.

At the heart of the problem is a significant misunderstanding of economic markets and the nature of economic development. A well-established fact in the urban studies literature is that the migration of businesses and people to the suburbs since the 1960s has reflected increased abilities of households to find residential locations that satisfy their tastes and preferences.

A recent study, for example, found that the primary factors driving population decentralization from 1970 to 1980 were quality-of-life factors such as age of housing, extent of poverty, racial composition of the city, and crime rates.[60] Traditional variables such as income and the size of the metropolitan area were relatively weak in explaining migration patterns. Suburban areas provide diversity and thus broaden the range of choices available to residents.

The proliferation of outlying communities is the outcome of millions of households' voting with their feet. To the extent individual preferences are reflected in different public spending levels and tax rates, government decentralization is efficient and desirable. Decentralization and fragmentation are best understood as a market outcome. Aggregating public services to equalize tax rates will distort the market signals produced by decades of intrametropolitan migration. Within a fragmented political system, residents and businesses move to communities that have public service levels and tax rates that conform to their individual preferences. Centralized metropolitan policymaking presumes that the diverse interests of the metropolitan economy will be adequately represented in regional political markets. It is more likely that centralizing authority over metropolitan policy will reduce political responsiveness and flexibility.

Toward More Decentralized Metropolitan Government

If the consolidation of local governments or the creation of another tier of regional government is not the answer, what is? Even if a metropolitan-area-wide form of government may be efficient in allowing the diverse interests of the metropolis to be expressed through the political process, central cities face seemingly intractable problems. Poor housing, crime, poverty, stagnant economic development, and flagging education systems continue to pull central cities further into the basement of the urban hierarchy.

An observation made in a recent report by the ACIR provides a useful starting point from which to develop a workable alternative.

> The pattern of [metropolitan government] organization is one that emerges from the incremental choices of local citizens, acting through processes of petition and referendum. When allowed to choose, citizens in different communities tend to make different choices. . . . As a result, the pattern of organization that emerges from citizen choice is not uniform throughout the metropolitan area. Different communities make tradeoffs. By contrast, the establishment of a uniform pattern throughout a local public economy . . . implies that the same trade-off is appropriate for every citizen in every community.[61]

Government, according to the principles underlying the American system of federalism, exists to serve the wants and desires of local residents. Government policy should reflect those interests as they are expressed in political markets.

Policymakers who grapple with the difficult and protracted problems of the modern metropolis should pay close attention to economic markets. The superiority of markets to planning in providing for the needs and desires of consumers has been proven by the hard lessons learned in centrally planned economies. Practical experience, rather than theoretical insight, has led policymakers throughout the world to acknowledge the ability of economic markets to provide incentives for economic growth and development.[62] Economic markets function precisely because they are capable of matching the diverse interests of consumers with diverse methods of production. Working through the private sector, the price system leads producers to provide an infinite variety of products and services that meet the specific needs of individual consumers. Similarly, providing for the specific needs of local residents does not require a centralized, coordinating body.

Local governments, like markets, exist to provide services to their constituencies. Interpreted broadly, that means that governments produce public goods (e.g., laws, roads, sewers, and police protection) to meet the needs and desires of their consumers, local residents.[63] Political markets are a mechanism for matching the services and products provided by producers, or local governments, with the needs and desires of consumers, or local voters. To the extent they fulfill that function, governments "work."

As governments become further and further removed from voters, they become increasingly unlikely to respond to the specific needs of their constituents. Consolidated metropolitan governments are more likely to be removed from voters than are local governments that rule over smaller geographic markets. That phenomenon is highlighted by statistical studies showing that the closer a government is to its constituents, the more constrained government policies tend to be.

Yet, as the modern metropolis grows larger and more diversified, observers decry the apparent disarray of local policymaking. Many argue that central cities are "dying" while suburban communities develop and prosper. Road and sewer systems require coordination beyond the narrow political boundaries of the old, traditional city. Large metropolitan areas require well-integrated mass transportation systems capable of linking the many, diverse economic activities that make up the metropolitan economy. Problems of poverty and homelessness are so large that small, fragmented cities cannot possibly combat them.

The solution to those problems lies in moving toward more decentralized and fragmented government structures that are consistent with minimal government and market economies. In the process, local governments should rely on market approaches to solving their problems since private firms can often cross jurisdictions more easily than governmental entities can. Private firms, organized to meet consumer needs, are less constrained by the geographic boundaries of political institutions. Instead of trying to erect a public-sector monopoly, policymakers should direct their efforts to creating efficient political markets that rely on the private sector to provide needed public services. Centrally coordinated political bodies cannot possibly produce the wide array of services and products that are needed to meet the diverse needs and desires of a city.

In fact, many public-sector failures--the inability to provide effective mass transportation systems, reduce crime rates, provide low-income housing, stimulate economic development--are exacerbated by current and past attempts to solve problems through centralization and consolidation.

Movement toward a more fragmented system is occurring in cities as diverse as New York and Chicago as the result of policies designed to "empower" neighborhoods and local residents. The political and economic market adjustments that have occurred in inner cities and metropolitan areas have strengthened the hand of decentralists rather than centralists. Indeed, experiences to date provide important lessons for redesigning local government to enhance its ability to respond to local needs and desires. Those lessons are highlighted by a brief review of recent trends in three traditional problem areas: mass transportation, law enforcement, and low-income housing.

Urban Transportation

One of the most dramatic examples of how a contemporary social problem can be handled through the private market and decentralization comes from mass transportation. Although mass transit is commonly considered the sole province of governments, private companies are increasingly challenging the authority and appropriateness of publicly financed transportation networks.

Ironically, public ownership and management of mass transportation is a relatively recent phenomenon. Faced with declining profitability in the 1950s and 1960s, private firms bailed out of the transportation industry by selling their corporations to local governments. (In many cases, those buyouts were financed through the federal government.)

The declining profitability of private bus and rail companies was not necessarily a reflection of changing market demand. On the contrary, since their inception, private transportation companies had been heavily regulated by local governments. Local regulatory authorities refused to allow rates to increase in the post-World War II era, in part in response to voter complaints about high fares, and companies lost money. Public-sector buyouts resulted in a public policy that emphasized a monopoly approach to providing mass transit through large, sometimes diverse, centrally directed bureaucracies. Presumably, monopolistic regional transit authorities would have an edge on the private sector in coordinating transportation networks and thereby reap significant economies of scale. Although many people now consider mass transportation a "public good"--a good that has important social benefits but cannot be provided by the private sector--the truth of the matter is that the private sector provided transportation efficiently for many years before the burdens of regulation forced many companies into the hands of local governments.

Mass transportation on the local level typically entails the use of fixed-route buses that carry passengers from their suburban homes to jobs in the central business district. Those radial bus routes are a holdover from the days when private bus carriers were purchased by local governments in the 1950s and 1960s. The emergence of integrated metropolitan areas has significantly undermined the notion of an economic region that revolves around a single central city. The growth of edge cities, urban villages, and ring cities has seriously eroded the need for radial mass transportation routes.

Publicly financed and provided bus services have been slow to adjust to suburban growth. Modern metropolitan workers require promptness and flexibility, even to the point of being picked up at their front doors or within a few blocks of their homes. Modern mass transportation must also be able to adjust to the changing demographic and development patterns of the metropolis to ensure adequate service levels. An important point to note is that transit riders tend to be twice as responsive to changes in service quality as they are to changes in price.[64]

In spite of the needs and desires of potential passengers, public transportation companies have been content to pump billions of dollars into existing routes and large inefficient buses, and ridership has declined. The result has been the emergence of more and more private companies that are willing to offer extralegal transportation services that cater to the individual desires of commuters. Numerous private companies have arisen in congested metropolitan areas to provide "jitney" bus or minivan services to transport workers to their jobs.

Chicago. In Chicago, transportation researchers Christine Johnson and Milton Pikarsky found that a highly decentralized and fragmented transportation system had grown to meet the transportation needs of commuters despite traditional mass transportation systems.[65] Among the innovative services emerging are for-profit commuter bus lines that transport 3,000 commuters daily over 80 suburban-based routes, regional transit authority funding for community-managed and community-operated suburban paratransit services, transportation services that use a mix of vehicles to meet the needs of their clients, and two private transportation provider associations.

The private sector has also shown an amazing ability to adapt to the changing needs of consumers in a short period of time. In 1979, for example, a transit strike in Chicago produced a large private commuter market. "Private buses, vans, and taxis were pressed into service, and many temporary carpools formed. By the third day [of a four-day strike], absenteeism . . . was only 12 percent above normal. The rest of the region was hardly affected."[66]

The resilience and flexibility of the private sector challenged traditional beliefs about the need for publicly subsidized mass transportation. Johnson and Pikarsky's analysis of the Chicago transit system revealed that the consolidation of mass transportation services resulted in concentrated private interests and the excesses of monopoly control. The monopoly transit system implemented through the Chicago Regional Transit Authority was unable to adapt to the new and growing demands of the city's suburban metropolitan area. Innovation was significantly compromised by consolidating numerous transportation providers into one organization. The researchers also found diseconomies of scale associated with large government-run transportation systems.

New York City. Large, centrally directed transportation systems have repressed innovation and adaptation in other cities as well. In a study of commuter bus services in New York City, government regulations were identified as a principal mechanism for protecting existing firms. Regulation was always tailored to give the existing bus line the upper hand.[67] The regulations made it virtually impossible to enter the mass transportation industry under existing rules and regulations.

The result, predictably, was the emergence of private express bus services, tailored to the needs of New York's suburban commuters, that operate outside the existing rules and regulations. Approximately 150 to 200 vans may be carrying residents of Staten Island into Manhattan each day, diverting as many as 17 percent of the New York City Transit Authority's express bus riders.[68] If allowed to expand, those van companies, which operate at a profit, would actually improve the financial position of New York's transit authority by allowing the organization to shut down unprofitable routes. Instead, New York transit authorities have continually attempted to thwart the new services by restricting permits or fining the operators.

In sum, Johnson and Pikarsky noted that the fragmented and diverse alternatives offered by a decentralized and fragmented private sector have important characteristics that benefit the urban commuter: they are small, tailored to the needs of specific people who make specific trips, market coordinated, designed to actually meet the stated objectives of the regional transportation system, and often sponsored by firms that benefit from the travel.[69] The result is a more innovative and flexible transportation system that effectively challenges the reign of the regionally directed transit authority. It appears, in the realm of mass transportation, that the trend is toward more flexible, decentralized provision of service. Large, consolidated transportation systems are too cumbersome and costly to operate efficiently in most metropolitan areas.

Crime and Community-Based Policing

Trends in law enforcement also point to a more decentralized, consumer-based approach to providing services. Unlike public transportation, which has been able to lumber inefficiently along with heavy government subsidies, law enforcement is under the close scrutiny of local residents who consider effective enforcement a necessity. The breakdown of law and order undermines the cooperative behavior that is essential to the survival of economies. To the extent crime threatens social well-being, it threatens everyone.

Crime rates have risen steadily since the 1960s. The number of offenses known to police rose from 3.3 million in 1960 to almost 14 million in 1988 according to the U.S. Department of Justice. When adjusted for increases in population, the rate per 100,000 inhabitants more than tripled from 1,887 to 5,664 during that period. Violent crime rates increased from 161 to 637 per 100,000 inhabitants (an increase of almost 400 percent), and property crime rates rose from 1,726 to 5,027 (an increase of almost 300 percent). America as a whole has become less safe over the years.

Crime is also largely an urban problem.[70] Of the 13.9 million offenses reported to police in 1988, 87 percent were reported in metropolitan statistical areas. Less than 5 percent were committed in rural areas. Ninety percent of violent crimes occurred in metropolitan areas, whereas only 3.9 percent occurred in rural areas. Even small cities (those with populations of less than 50,000) reported higher crime rates than rural areas.

The urban character of crime is most dramatically illustrated by the high-profile war on drugs. The anti-drug effort is largely an urban-centered strategy, focusing on drug traffickers and users in central cities. A recent survey of local jails released by the U.S. Department of Justice found that the fastest growing segment of the jail population was drug offenders; 40 percent of the increase in jail inmates from 1983 to 1989 was attributed to the incarceration of drug offenders. In many cities, over 50 percent of the murders are "drug related." Those murders are not caused by the use of the drug.[71] Rather, they are the result of "turf wars" and contract disputes in an underground economy that generates billions of dollars in profits every year for those willing to assume the personal risks of injury and arrest.

To combat the rising tide of criminal activity, local law enforcement agencies are adopting a "back-to-the-neighborhood" approach. Instead of centralizing the administration of law enforcement, big city police departments are pursuing street-level law enforcement, which encourages individual officers to become more visible in the community and literally walk a beat. That approach, developed by University of Wisconsin law professor Herman Goldstein, is called "problem-oriented policing."[72]

Conventional police procedures call for "incident-oriented" policing under which officers respond to particular calls. Effectiveness is determined by response time, the number of calls handled per officer, the number of officers used per call, the use of sophisticated investigative techniques, and the like. That approach fits with the conventional hierarchical and centralized organization of police departments. It also fails to significantly curtail crime.

Research during the past 15 years has shown that doubling the number of cars patrolling the streets did not affect the levels of serious crime or fear of crime; that rapid police response did not affect the probability of making an arrest; and that forensic technology contributed less to the investigative process than the stories of crime victims and witnesses.[73]

Community-based policing, on the other hand, requires that law enforcement personnel become involved in the communities they protect. Newport News, Virginia, provides a striking illustration of the potential effects.[74] A large, dilapidated public housing project was slated for demolition as a result of its physical condition and rampant crime. While the residents were waiting to be relocated, the police officer assigned to the area took a personal interest in the complex. He coordinated city agencies and local residents to ensure that trash was carried away, abandoned cars were removed, potholes filled, and the streets swept. The result was a 35 percent reduction in burglaries.

Moreover, the back-to-the-neighborhood approach to policing on the local level has reduced the need to increase the number of police officers. "Without problem-oriented policing," says Police Chief Jay Carey of Newport News, "the city's Police Department is understaffed by approximately 90 police officers for a city its size."[75] (The population of Newport News is 170,000, and that of the metropolitan area is 1.4 million.)

Sociologists James Q. Wilson and George L. Kelling recently observed that one of the problems with incident-oriented policing is its tendency to remove police from the neighborhoods they are assigned to protect.[76] The personal involvement of police in neighborhoods is important for off- setting the perception that vagrants, gangs, and crime-prone youth rule the streets. Wilson and Kelling note that neighborhood-based policing has become more and more prevalent as a general strategy for combating crime in several major cities, including Los Angeles, Houston, and New York.

In some respects, those efforts are an attempt to restore what social scientist Charles Murray has referred to as "public civility."[77] Neighborhoods and communities need to provide an environment of safety. Even with skyrocketing crime rates, an individual walking through a neighborhood may face an extremely low probability of becoming a victim of crime. An environment of uncivility, however, may breed criminality.

The best response to the crime problem is not to dump more money into law enforcement. The best response would be to restructure the way police work is done. Increasingly, policy analysts are concluding that what is needed is a decentralized approach to policing that emphasizes an indepth knowledge of the community and its problems. Solving problems from within requires a strategy based on developing the resources of residents and neighborhoods.

Neighborhood Revitalization

Another example of how a fragmented, more private- sector-oriented approach to public policy problems is yielding substantial benefits is found in America's inner cities. The migration of the middle class and blue-collar employment in the 1950s, 1960s, and 1970s contributed to the erosion of the central cities' property tax bases. Housing abandonment and conversion to commercial or middle-income residential uses have significantly reduced the number of low-income housing units in American cities. The National Housing Task Force estimated that between 1973 and 1983, 2 million low-income units disappeared as a result of demolition or conversion.[78] Many interventionists point to the "retreat" of the federal government from funding low-income housing as the primary cause of homelessness and the apparent shortage of low-income housing.

Advocates of low-income housing typically point to the federal government as the only organization with the money and organizational structure needed to solve the problem of low-income housing. The AFL-CIO argues, for example, "No other sector of the economy apart from the federal government . . . has the resources to address the national housing problem and prevent its becoming worse."[79]

Yet increasing evidence points to local development policies, often implemented as a result of region-wide growth controls, as a principal cause of the decline in the low-income housing stock in the United States. "There can be very little doubt about where the housing crisis originates," writes housing expert William Tucker; "it is a function of local, not national, politics."[80] Zoning, building codes, laws favoring tenants over landlords, and rent control conspire to destroy hundreds of thousands of rental units every year. Building codes alone can place substantial burdens on developers and potential owners and renters through delays, biases against more efficient technology, and the subversion of the codes to special interests.[81]

Cassandra Chrones Moore, former director of the Interagency Council on the Homeless, notes that New York City's housing "crisis" is largely self-inflicted. "New York, with its welter of building codes, rent regulations, and taxation policies, has put major roadblocks in the way of maintaining or building low-cost housing."[82] Moore observes that 3.5 years elapse between the time a mortgage on a property is foreclosed and the time the property can be rented in New York City.[83] Meanwhile, in the course of two decades, the city has lost more than 400,000 apartments to abandonment.[84] Similar problems are found in other cities across the country.[85]

As cities continue to erect costly and complex obstacles to new housing development, thereby reducing the supply of existing homes as they depreciate, poor and inner-city areas are forced to depend on their own resources. Neighborhood development organizations (NDOs) have sprouted up in city after city to attempt limited, localized solutions to community development problems. Many of those organizations are led by 1960s radicals and community activists. The NDO sector is a "growth industry" of sorts in central cities. Data on existing programs suggest that between 2,000 and 5,000 groups throughout the country generate as much as $1 billion annually.[86] Although some of the NDOs are big--one raised approximately $100 million for neighborhood-based development--most are small and have decentralized organizational structures.

More important for this discussion, most are in the business of developing low-income housing. In Cleveland, Ohio, a community development corporation created a housing market in a run-down area of the city over a 10-year period.[87] An Urban Institute study found that 44 of the 99 NDOs surveyed were incorporated for the explicit purpose of developing low-income housing (3 were engaged in housing construction), and 56 were involved with housing rehabilitation.[88] Nonprofit housing groups currently produce 11,000 units a year according to some recent estimates.[89]

Some of the nonprofit housing corporations have experienced remarkable success. One of the most widely heralded ventures is Jeff-Vander-Lou, Inc., in St. Louis. After failing to attract attention and support from the federal government in the late 1960s, the organizers of Jeff-Vander- Lou began raising money privately. As the 1990s began, the organization had 70 full-time employees and had renovated almost 900 housing units.[90] In addition to housing, that nonprofit organization has funded day-care centers; a senior citizens' complex; and a meal program and kitchen capable of feeding 1,500 neighborhood residents who are sick, elderly, or disabled.[91]

Those examples point to how private markets have risen to meet the needs of consumers and residents of low-income areas of modern cities. Rather than depend on local government to respond, entrepreneurial people found innovative ways to meet diverse demands in markets neglected by local government.

In the public housing arena, the response to resident problems has also typically come from within. Another celebrated case of internally driven change and improvement comes from Washington, D.C. The Kenilworth Courts housing project consists of 464 units that house 3,000 low-income residents. In 1982 Kenilworth residents formed a corporation to take over the management of the project. The result was a 60 percent decrease in administrative costs paralleled by a 60 percent increase in rental receipts.[92] More important, perhaps, welfare dependency was reduced by half, and crime declined by nearly 75 percent.

In both of those cases, the key to improving low-income housing has been decentralization of authority and responsibility. In the first case, a nonprofit housing corporation took the lead in renovating abandoned homes. In the second case, local management was able to reverse the economic and social decline of residents of an existing building when the larger, centrally directed housing authority was unable to make significant headway. Small organizations, with close ties to the neighborhoods they work in, are able to provide the services residents need and desire.

Centralized authority and responsibility for low-income housing are likely to undermine the processes that make NDOs effective.

Toward a More Decentralized and Fragmented Local Government System

Now, more than any other time in history, a decentralized and fragmented metropolitan government structure is functional and effective. The ability to "vote with your feet" has placed important, and sometimes severe, constraints on local governments and their abilities to arbi trarily expand services and raise revenues. Instead of viewing a fragmented structure as an impediment, policymakers should view it as a system that effectively protects the diverse interests of the community. Empirical studies and case studies suggest that local governments that distance constituents from policymaking, reduce the number of governments, or consolidate responsibilities into higher tiers of government are inefficient and may undermine the political responsiveness that is essential for democratic governance.

Several policy recommendations follow from the preceding analysis. First, cooperative agreements should be pursued by local governments when the situation requires a joint solution. Local policymakers should take their cues from economic markets and the private sector. When firms need to accomplish goals and objectives outside the scope of their own organizations, they contract with other firms to perform the task (subcontracting). Subcontracts lay out specific expectations about output (the product) and anticipated receipts. Local governments should be permitted and encouraged to enter into similar agreements with other organizations--private or public--to avoid internalizing new services.

For example, cities that want to extend sewer and water systems to currently undeveloped areas could enter into contracts with neighboring municipalities, agreeing to share the returns on development. The contracts would specify the services to be rendered (sewer and water service) and the timetable for payment for those services (tax revenue rebates). Unlike a consolidated government structure, which is likely to be dominated by questions of redistribution, a voluntary agreement among governments implies that all parties have a vested interest in the completion of the project. Thus, the cities would have an incentive to monitor each other to enforce the contract. When services are internalized, that type of accountability is missing, and bureaucratic waste and mismanagement often result.

Second, local governments should continue efforts to privatize public services and functions, either by contracting out or allowing private firms to completely replace the public sector. The private sector is better able to adapt to the changing demands of consumers by identifying real economies of scale and acting quickly to make market adjustments. Democratic governments are intentionally cumbersome and dominated by bureaucratic decisionmaking processes.

Some cities, such as La Mirada, California, have become "contract cities" that buy and sell services from other cit ies, the private sector, or other levels of government.[93] Those cities have few public employees but still offer a wide range of services to their citizens and adapt quickly to changing fiscal conditions. La Mirada, for example, has a population of 41,000 and a full-time city staff of 59, whereas the similarly sized city of La Habra has almost 300 employees.[94] Contract cities also have the ability to drop contractors who perform poorly in order to improve city services, an option unavailable to cities that rely on public-sector monopolies.

Contract cities acknowledge that the private sector is capable of providing many public services efficiently and competently, particularly under systems of competitive bidding. The key to providing those services is allowing separate organizations to provide an array of products through markets that extend beyond the politically determined geographic boundaries of cities. Competitive private firms that offer products such as mass transportation are more capable of responding to consumers than is one monopoly provider.

The profit and loss system forces private markets to respond to the changing needs of consumers. When services become outdated and obsolete, governments tend to perpetuate inefficiencies and avoid taking the risks necessary for revitalization. The private sector is forced to respond or risk going out of business.

Third, local governments should be strengthened vis-Ö- vis higher levels of government. Local governments should be allowed to enter into contracts and avoid unwanted consolidations or annexations. That implies that governmental responsibilities should be decentralized even further than they currently are in many states and metropolitan areas. In some cases, decentralization may require moving power from the legislature to the local level by strengthening "home rule" provisions of state constitutions. Doing so would further enhance the competitive nature of metropolitan government and allow full expression of the diverse interests of residents. Reducing the number of governments by allowing regional monopolies to emerge will simply weaken local governments and allow public bureaucracies to strengthen their hold on the policymaking apparatus.

Finally, local government consolidations should be discouraged because they are likely to destroy the competitive political foundation on which democratic societies depend. Representation cannot be secured by reducing citizens' and voters' opportunities to participate. Local government policymakers should concentrate on strengthening the competitive political process to ensure that local institutions protect community and neighborhood interests.

Conclusion: Bigger Is Not Better

The conventional wisdom in policy circles still embraces the belief that monopoly governments are able to solve the problems of the modern city. That belief exists despite substantial evidence that local governments, like all governments, act as Leviathan, exploiting constituents to further enhance their own power and authority.

The tendency toward monopolization of local government power is now challenged by the growth of diverse suburban communities that have differing goals. The result is a truly competitive local government structure that allows the diverse interests and preferences of the metropolitan community to be expressed through the political system. Political competition, in this respect, is an essential and beneficial outcome of metropolitan growth.

In this context, an important step toward improving local public service delivery is to acknowledge that there may not be a single, most efficient way of producing public goods and services. Consolidating functions within regional bodies presumes that a unitary government is most capable of providing an entire range of services and products. The reality of modern metropolitan America is that the diverse communities that ring central cities harbor residents who have varying interests and preferences in public services. The provision of public services is best left to private markets that are free to provide services over market areas determined by consumer preferences rather than within politically determined geographic boundaries.

The urban and community development problems of modern cities will not be solved by extending the authority of monopoly governments. On the contrary, the interests of the community are likely to be better served by enhancing the authority and responsibilities of a decentralized, fragmented governmental system.

Notes

[1] Max Jennings, "Helwig's Merger Idea Could Save the City," Dayton Daily News, August 25, 1991, p. 10B.

[2] Adrianne Flynn, "Governments Customize Their Mergers: Hows and Whys Differ with Residents' Needs," Dayton Daily News, August 31, 1991, p. 1A.

[3] Dan Elsass, "Upheaval in New Zealand Local Government: Wave of the Future in the USA?" Public Management 73, no. 7 (July 1991): 17.

[4] Stephen C. Forman, "Community Problem Solving: There Are No Interjurisdictional Panaceas," National Civic Review 72, no. 1 (January/February 1989): 15-23.

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