

## City of Angels, Valley of Rebels

by **Geoffrey F. Segal**  
and **Samuel R. Staley**

**T**he American republic owes its existence to the idea that government is legitimate only when it can secure the consent of the governed and that a group dissatisfied with that government may, in the words of the Declaration of Independence, “dissolve the political bands which have connected them” to a political community. This November a group of self-styled revolutionaries in Los Angeles’s San Fernando Valley will test their fellow citizens’ commitment to that principle, when Angelenos vote on whether to allow the valley to break away from LA to become the sixth largest city in the United States.

The valley, a sprawling section of the city on the north side of the Santa Monica Mountains, houses 1.3 million people and encompasses half the city’s land. The area has long had its own sense of civic identity, and a majority of its denizens—about 52 percent at last count—believe they would be better off striking out on their own. But that alone won’t be enough to bring about a separation: a majority of residents citywide will have to be convinced that splitting up is a good idea as well. To realize their independence, secessionists will have to convince a significant portion of the population outside the valley that they should be allowed to leave.

What makes the secession conflict especially bitter is that many Angelenos oppose separation for precisely the same reasons

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**Rep. Jeff Flake (R-Ariz.) argues that the ban on trade with Cuba has failed to dislodge Fidel Castro and that free trade would be more effective at undermining repression, at a Cato Policy Forum on July 23. Dan Griswold of Cato’s Center for Trade Policy Studies chairs the Forum.**

that valley dwellers favor it. Secessionists, in a declaration of independence that echoes the language of Jefferson’s original, cite a “long train of abuses and usurpations” the valley has suffered at the hands of LA’s downtown establishment. High on the list is the persistent gap between what the valley pays the city in taxes and the services it receives. Over the past two years alone, valley taxpayers subsidized the rest of LA to the tune of \$124 million, paying an annual average of 6.3 percent more than they got back in services. In short, the politics running the city provide the basic services necessary to make their downtown stomping grounds livable but leave many other communities feeling disenfranchised by city interest groups and bureaucracies.

Much as the disparity between taxes and services vexes secessionists, the prospect of losing the valley cash cow—and the influence in lobbying for federal funds it brings—frightens other Angelenos even more. Only about 29 percent of voters outside the val-

*Continued on page 12*

### In This Issue



**Debating intellectual property, p. 4**

<b>Niskanen on corporate reform</b>	<b>2</b>
<b>The high cost of regulation</b>	<b>3</b>
<b>Recent events</b>	<b>4</b>
<b>Levy, Lynch, and Twilight on liberty and national security</b>	<b>6</b>
<b>Government Failure: A Primer</b>	<b>9</b>
<b>Events planned around the country</b>	<b>10</b>
<b>World’s freest economies</b>	<b>11</b>
<b>Book: Madisonianism for today</b>	<b>11</b>
<b>Copy Fights: the debate over intellectual property</b>	<b>15</b>
<b>New Cato Journal and Regulation</b>	<b>15</b>

# “Much as the disparity between taxes and services vexes secessionists, the prospect of losing the valley cash cow frightens other Angelenos even more.”

**REBELS** *Continued from page 1*

ley are willing to grant their fellow citizens a civic divorce, and anti-secessionist leaders make no secret of the reason. The rhetoric coming from the various interest groups at the center of the anti-secession coalition sounds remarkably similar: each fears the “erosion of the tax base” and the accompanying “loss of clout.” With cumulative support for secession hovering around 38 percent, valley secessionists find themselves in the position of deer trying to convince ticks of the merits of mutual independence.

## Why LA?

At first glance, Los Angeles is one of the most unlikely places for this sort of decentralizing movement to arise. Southern California is known for many things—sun, surf, glitz, earthquakes—but small government is not one of them. As surprising as it may seem to outsiders, however, grassroots support has been building for almost a century. In 1915 LA officials forced the valley to join the city in exchange for cheap water. That gave rise to tensions and conflicts that persist today. Indeed, many people in the San Fernando Valley identify themselves by community—Van Nuys, Reseda, Northridge—even though those are legally part of the city of Los Angeles. This is the third credible secession attempt; state law blocked two previous movements in the 1960s and 1970s.

The San Fernando Valley separatists, spearheaded by a group called Valley Voters Organized Towards Empowerment (Valley VOTE), are actually only the most visible of three burgeoning secession movements in the City of Angels. On the south side of the mountains, Hollywood is vying for independence too. Many of its 180,000 residents believe that it can no longer function effectively as a “neighborhood” in a sprawling city. Like the valley, it has the resources to support its independence, but the desire for independence there is much less strong. Although a Hollywood independence initiative will be on the ballot this fall as well, polls show that only a quarter of voters, in both Hollywood and the city at large, are prepared to support a break with LA. The third area searching for its

own identity is the harbor section of the city, with about 140,000 people. The harbor area is a pod on San Pedro Bay connected to the main part of the city by a narrow 10-mile finger that only creative annexation and savvy politicians could have manufactured. Clearly, dissatisfaction with the city’s present structure is pervasive and widespread.

Why is secession so attractive to so many people? The city’s geography and political history tell part of the story. LA is one of the largest cities in the nation, with 3.7 million people spread over 470 square miles. In the last century LA has grown big enough to swallow Cleveland, St. Louis, Milwaukee, Minneapolis, Boston, San Francisco, Pittsburgh, and Manhattan.

As the city has expanded, many citizens have begun to feel that a leviathan LA is no longer capable of representing their communities’ interests. Each LA city councilperson represents 246,000 people. Neither Hollywood nor the harbor area is large enough to have a single representative on the LA City Council, even though Hollywood would rank as the nation’s 112th largest city and the harbor area would rank 149th. In contrast, Santa Monica, sandwiched between the Pacific Ocean and LA’s west side, has six city council members and a mayor to govern 84,000 people. In nearby Burbank, five elected officials, including a mayor and vice mayor, govern a city of 100,000.

For years the valley has been systematically denied the proper number of seats on Los Angeles’s 15-member citywide council. The valley was given two seats when, on the basis of the geographic distribution of the city’s population, it should have received four. Then, as the valley’s population grew, it received four seats when it should have received five. In 2003, in a move to quell secession, the valley will get five seats. By that time, however, the valley’s population should have qualified it for nearly six seats, almost half of the city council. The council has consistently gerrymandered the valley, carving off pieces and putting them in districts dominated by other parts of the city.

There is no guarantee that even full representation would relieve the tensions cre-

ated by an oversized city government. Brown University professor of economics and urban studies J. Vernon Henderson explains that “different local communities within the metro area have different public service needs and demands, depending on industrial mix, income, age composition and so on. A metro level government may not have the political flexibility or accountability to differentiate across localities to meet individual community needs.” A government seeking to serve such a large and heterogeneous city faces a dilemma. If taxes are levied and services provided uniformly, the one-size-fits-all result will almost certainly fail to address the different needs of different communities. If instead services are tailored to individual communities, a political tug of war ensues, with each locality trying to maximize its own consumption of services and distribute the costs of providing them across the entire city.

Supporters of secession want what most citizens want—safe neighborhoods, good schools, well-maintained streets, neatly trimmed trees, and efficient garbage collection. They’ve lost faith in the ability of elected officials meeting on the other side of the mountains to make policy that meets their needs and provides services effectively. If existing research is any indication, a smaller LA, with a population about the size of San Diego’s, will be more manageable, more accountable to local residents, and more representative of its neighborhood populations.

## Tyranny of the Status Quo

Most city officials are vigorously fighting all of the secession movements, though they have focused their energy on the San Fernando Valley’s, the strongest of the three. Their tactics show how viciously entrenched bureaucracies and elected officials will fight to defend the status quo.

Their first instinct is to use the timeworn tactic of fear. City officials have gone on record arguing that a smaller city will be less likely to receive federal grants. They’ve also charged that police and fire services will be inferior, leaving valley residents more vulnerable to fire or natural disaster. Anti-secessionists have resorted to scare tactics so often that a new acronym has emerged—

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FUD, for “fear, uncertainty, and doubt.” FUD tactics have become so common that the term is now used as a verb (“there goes the mayor, FUDing again”) whenever Mayor James K. Hahn warns of the dire consequences of secession. By exploiting the more justified fears of contractors and lobbyists whose power and income depend on the city’s size and tax base, Hahn has managed to raise \$2 million for his anti-secession campaign. Most of that money has come in the form of donations of \$10,000 or more, and some donors have found lucrative contracts with the city extended shortly after their checks arrived.

Another primary response, legal maneuvering, has become a staple of the anti-secession movement’s tactical tool chest. The mayor and his staff continually challenge the cost estimates that the Local Area Formation Commission—the government agency that oversees annexations, secessions, and interjurisdictional border disputes—has used to determine the economic viability of the new cities. LAFCO has recommended that the valley pay LA about \$128 million per year in “alimony” to compensate for the loss of valley tax revenue. The payments would decrease by 5 percent annually and finally end after 20 years. That massive expropriation is not enough for Mayor Hahn and other officials, who have asked for annual payments of \$288 million for 25 years. From the three secession areas combined, the city wants a total of \$5.6 billion more in alimony than LAFCO has recommended. The request is based on the brazen proposition that the current government will not shrink at all when secession cuts the size of the region it serves in half. Fifteen of the city’s 41 departments have said that they could not cut \$1 or shed one employee.

Ironically, those tactics are simply reinforcing the views of secessionists. The city appears to be striving yet again to short-change the valley, as it has for decades. The demand for alimony payments seems particularly insulting, since valley residents are effectively being asked to compensate LA for the “harm” of refusing to continue being overcharged for public services. For many, the debate boils down to a political turf war.

### News Notes

**L**ewis E. Randall and Jeffrey S. Yass have joined the Board of Directors of the Cato Institute. Randall is an investor in Washington State. He and his wife Martha have been supporting Cato since the 1970s.



Lewis E. Randall



Jeffrey S. Yass

A graduate of Harvard College, he was an early employee of both Intel and Apple Computer and is on the Board of Directors of E-Trade. Yass is managing director of Susquehanna International Group, LLP, a trading firm specializing in stock options. He is profiled in *The New Market Wizards: Conversations with America’s Top Traders* by Jack D. Schwager and was described as one of “76 Revolutionary Minds” by *Philadelphia* magazine.

Evans Pierre has been named director of broadcasting at the Cato Institute. He is in charge of relations with television and radio broadcasters and also produces CatoAudio. He comes to Cato with 12 years of experience behind the cam-

eras at CNN, C-SPAN, and MSNBC.

Lesley Albanese has been named director of external affairs and given overall management responsibility for Cato’s development department. She has served in the development department for more than five years, at increasing levels of responsibility. She will continue to be the principal organizer of Cato’s Benefactor Summit and the Cato Club 200 Retreat and will oversee Sponsor relations, corporate and foundation support, and direct mail.

Joining the development department this summer is Terry Kibbe, director of development. A veteran of development operations at Judicial Watch and political fundraising, she will work on individual donor solicitation and relationships.



Evans Pierre



Lesley Albanese



Terry Kibbe

### A Global Trend

The valley’s cries for accountability and a government closer to the people are part of an international movement toward more decentralized government. The trend is probably most pronounced in the United Kingdom, where in 1997 Tony Blair’s Labour government quickly moved to make good on a campaign pledge to devolve governance to Wales and Scotland. Scotland already had an independent legal system, but now it has a parliament with the authority to levy income taxes and authorize spending on key programs. The more culturally distinctive Wales, on the other hand, has been less insistent

about its autonomy: it won only the power to make decisions about “secondary” legislative matters, such as housing, health, education, economic development, sports, and tourism. In 1999 both Scotland and Wales elected their first independent legislatures in more than three centuries.

Signs of the devolution revolution are legion. Quebec has long been home to a vocal movement for independence from the national Canadian government. In France critics have argued for decades that money and authority should be devolved from Paris. In India the national government is

*Continued on page 14*

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**REBELS** *Continued from page 13*

struggling with the difficulties of governing a geographically dispersed and demographically diverse population. The most striking example of devolution is, of course, the breakup of the Soviet Union into 15 successor states, but the same process is also at work within those states and other nations recovering from communism. Countries throughout the former Soviet bloc have, to varying degrees, begun the arduous process of dismantling central bureaucracies and restoring—or manufacturing—local political institutions. For citizens frustrated with bureaucratic indifference and inefficiency, the transfer of authority and power to localities is becoming increasingly attractive. The reason is straightforward: larger governments are less responsive and ultimately less accountable to the governed. In a political system that respects democratic values, the only effective way to serve diverse populations is to put the power to make decisions in the hands of the people most directly affected by them.

The United Kingdom's example is instructive, because that country managed to accommodate devolutionist impulses without an acrimonious split. One major reason is that devolution had become part of a major party platform; Labour had committed to support Scottish and Welsh autonomy before winning control of Parliament. Scotland had a long history of independence, too, which provided a foundation for institutions of local governance. Finally, and perhaps most important, opposition was relatively low because Scotland and Wales were not permanently breaking away from the United Kingdom but only taking control of more functions locally. That difference in approach is significant. One obstacle to greater autonomy for Quebec may be its focus on separation and independence from Canada. Because many Canadians view the Quebecois as secessionists, uninterested in devolution without complete political and functional autonomy, they are less willing than they might otherwise be to cede more limited control.

Had LA city officials followed Blair's lead, they might well have averted the secession controversy entirely. Three years ago,

in a belated effort to quell secession, LA reformed its city charter. Rival commissions—one appointed and one elected—were tasked with rewriting the city's 73-year-old constitution. Though reformers' hopes were high at first, they ultimately won only modest and incremental changes to the city's governance structure, which did little to stem the rising tide of secessionist sentiment.

One of the more interesting proposals rejected by the commissions would have created a system of boroughs similar to those in New York City and London. The citywide government would serve a strategic, regional function while most local services would be provided at the borough level. In London, for example, the central authority has responsibility for transportation, police, and economic development. Boroughs with populations of around 200,000 are responsible for health, human services, education, planning, and other key services. Thus, a true borough system could devolve sufficient power to the community level that secession movements could be quelled or significantly mitigated.

The borough concept has been around in the United States for almost a century; boroughs were even promised to the valley in 1915. They were also promised to Hollywood, Watts, East Los Angeles, and San Pedro in subsequent decades. Nothing ever came of those promises. The commissions ultimately rejected the borough plan, and city officials refused to allow the proposal to be put on the ballot.

What distinguishes the Los Angeles secession movement from the others, aside from its appropriation of the rhetoric of the American Revolution, is the emphasis on local, rather than regional, government and autonomy. LA's secession movement, like Staten Island's nascent desire to secede from New York City, is evidence that greater reliance on regional governance may not be radical enough—power may have to move to the community level.

## Lessons Learned?

Ironically, concerns about local government's ability to solve local problems are spurring some cities to look in the oppo-

site direction. Last fall voters in Jefferson County and Louisville, Kentucky, voted to dissolve the city of Louisville and merge it with the county. This would be the single largest governmental consolidation in 30 years, creating the nation's 19th largest city. Los Angeles is now contemplating the single largest city breakup in U.S. history; Louisville could be the second if it doesn't learn LA's lessons quickly.

The secession movements, in LA and elsewhere, challenge the notion that consolidated regional governments can solve a nation's metropolitan problems. Indeed, if consolidation also includes a lack of representation, loss of local accountability, and entrenchment of the status quo, metropolitan governance may become even less effective, and local government will be even less able to address key issues and problems that matter to citizens. The upheaval in Los Angeles should force citizens and policymakers across the nation to question one of the most persistent myths of regional government—the idea that bigger is better.

Breaking up is a complicated, difficult, and politically divisive issue. Consolidating local governments or regionalizing governmental functions may, as in the case of Los Angeles, perpetuate inefficiency for decades. All government reform efforts are implemented in a political environment, and governments create constituencies that will lobby for maintaining the status quo, making innovation difficult if not impossible. When communities with distinct needs and identities are fused into a single political entity, each may suffer, but separating them again may be no less painful. Los Angeles, then, should serve as both a warning and an inspiration. It reminds us that political bands, once forged, are not easily broken and that consolidation should not be undertaken lightly. But it also shows us that it is possible, even today, for communities to recreate the bold experiment of the Founders, to seek more voluntary and mutually satisfying ways of living together, in short, “to institute new Government, laying its foundation on such principles and organizing its powers in such form, as to them shall seem most likely to effect their Safety and Happiness.” ■