

Who or What Governs?

The Effects of Economics, Politics, Institutions, and Needs on Local Spending

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The core question driving the study of local politics is – who or what governs local democracy? After decades of study, researchers continue to debate the relative merits of economic, political, institutional, and bureaucratic accounts of local democracy. By providing a test that incorporates each of these four different theoretical perspectives, that analyzes major spending decisions that cities make, and that includes a large, representative sample of localities, we offer a systematic examination of local government decision making. We find that each of the existing one-sided stories is incomplete. Economic constraints are critical in determining what a government can do but the overall balance between redistributive, allocational and developmental spending is also strongly influenced by political imperatives, institutional constraints, and actual needs.

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The core question driving the study of local democracy is who (or what) governs. From C. Wright Mills' "The Power Elite," to Robert Dahl's "Who Governs?" and more recently to Paul Peterson's "City Limits" there has been a long standing debate about how much the political arena matters and more broadly which actors are able to affect local policy decisions.

On one side, pluralists contend that local government is open to a wide variety of interests and influences (Dahl 1961, Browning, Marshall and Tabb 1984, Goetz 1994, Donovan and Neiman 1992, Clark and Ferguson 1983). Either through the vote or through other types of pressure tactics, residents not only control the outcome of elections, they can determine the direction of policy. From this perspective, political imperatives largely determine outcomes at the local level.

Others sharply disagree. A range of researchers from Tiebout (1956) to Peterson (1981) maintain that economic constraints largely determine policies at the local level. According to this view, competition across cities for mobile capital means that no one city can afford to levy heavy taxes or to provide generous social welfare benefits to the poor. Any city that tries to shift policy in favor of more disadvantaged segments of the population risks losing businesses and wealthy residents – an outcome that would ultimately lead to financial ruin. For this reason, these scholars argue, most cities are ruled by growth machines that enact policies that try to ensure greater development (Elkin 1987).

To these two sides can be added new institutionalists who argue that electoral and governmental structures play a central role in shaping outcomes (Sharp and Maynard-Moody 1991, Pelissero and Krebs 1997, Sharp 1991, Sass 2000) and still others who counter that local government is essentially a bureaucracy that distributes goods and services in a relatively efficient and fair manner (Mladenka 1980). Yet another view is put forward by regime theorists

like Stone (1989) who suggest that a combination of public and private actors influence local agendas.²

Who is right? Despite decades of research and a wide range of studies, researchers have been unable to offer a clear answer to this question. There are plenty of recent empirical studies that squarely point to each of the different perspectives (-----, Stein 2003, Pelissero 2003, Clingermayer and Feiock 2001). In this article we present a systematic examination of local government policy-making that contributes to our understanding of how local governments work. Our goal is to try to be both comprehensive and broad. In gauging which factors determine local government decisions, we incorporate a fairly comprehensive list of all of the possible influences that have been highlighted in the literature. In assessing local democracy, we shift the focus from particular policy decisions to broad patterns in government spending. Specifically, we ask whether cities devote their limited resources to redistributive programs that ameliorate the conditions of the poor and the disadvantaged, to developmental endeavors that seek to encourage economic growth and the ongoing economic vitality of a city, or to allocational efforts that improve and extend basic housekeeping services like parks and garbage collection. By focusing on where cities choose to spend the bulk of their resources, we hopefully get a better sense of their broader priorities.

To provide a test of the different elements that could govern decisions in the urban political arena, we merge together data from a range of nationally representative studies. Specifically, we couple spending data from the Census of Governments with data on local political leanings from the Congressional Quarterly Elections Collection, data on economic conditions, bureaucratic needs, and demographics from the Census, and data on institutional

² Since regime theory incorporates elements of economic and political accounts, we do not test it separately.

structure from a series of four International City/County Manager's Association Surveys (ICMA). This allows us to offer a reasonable test of who governs.

Our results indicate that each of the existing one-sided stories is incomplete. Political forces, both in the form of public opinion and political leadership, are critical in determining who gets what in America's cities, but the overall balance between redistributive and developmental spending is also strongly influenced by economic imperatives, institutional constraints, and bureaucratic needs.

Alternate Accounts of How Local Governments Work

How do local governments make decisions about policy? What constrains those decisions? Whose voices are heard? A good portion of all of the research on urban politics has been devoted to answering these questions. All of this effort has spawned four different and often contrasting accounts of what matters in local politics (see Pelissero 2003, Judd and Swanstrom 1994, and Stein 1990 for overviews of this literature).

Perhaps the most well known and the most widely supported of these different perspectives is the economic imperatives model developed by Peterson (1981) and others (Buchanan 1971, Dye 1987, Rubin and Rubin 1987). According to this view, local government decision making is largely a function of economic considerations. The central driving force in local politics is economic competition across cities (Peterson 1981, Tiebout 1956). In order to avoid economic and social decline, cities must compete for mobile capital. This severely constrains local governments. Cities cannot tax mobile capital too heavily or redistribute too many resources to less advantaged segments of the population for fear that their actions will motivate businesses and wealthy residents to relocate. Instead they must seriously consider reducing taxes and providing a mix of services that is most likely to attract and/or retain more

privileged economic interests. This should, according to most of these authors, result in a pro-growth focus and a range of spending policies that encourage economic development (Logan and Molotch 1987, Elkin 1987). If this theory is accurate we would expect to see generally limited redistributive spending. Moreover, if we do see expanded redistributive spending, it is likely to occur in cases where cities have an economic surplus and can afford to expend resources on what should be viewed as costly and unproductive programs.

The main alternative to this economic imperatives model is a pluralist account of urban policy making. Rather than seeing local government decisions as fundamentally driven by economic constraints, pluralists see local policy as fundamentally driven by political considerations (Dahl 1961, Meier et al 1991, Goetz 1994, Donovan and Neiman 1992). The key to understanding local decision making, according to pluralists, is to recognize that elected officials need public support in order to govern and win reelection. Since any official who does not heed this public pressure risks losing office, local governments should incorporate the preferences of a range of different citizens when enacting policy. Especially for important decisions that are highly contested by participants from diverse socioeconomic backgrounds, governmental policy should closely mirror public preferences. If, for example, most residents in a given locality favor greater redistribution of public resources, we should expect political actors in that locality to enact measures to increase redistribution. In this way, government should be open to influence from a wide range of groups, even those who do not formally participate in the process (Dahl 1961).³ If pluralists are correct, we should see spending patterns tied to the political environment in cities – including the ideological leanings of voters.

³ While not entirely dismissing the notion that cities have to compete for people and capital, pluralists argue that there is ample room for politics to matter. Either because the constraints of the local economic marketplace are not totally binding or because a wider range of policies can be considered productive, there is considerable space within which city officials can move policy.

Although the economic imperatives model and the pluralist model represent the two primary accounts of urban politics, at least two other perspectives have been put forward by scholars of local politics. According to a third group of observers, local policy is less a function of economic competition or political preferences and is instead more a function of local needs (Mladenka 1980, Lineberry 1977, Feiock and West 1993, Boyle and Jacobs 1982 but see Kohler and Wrightson 1987). From this perspective, city governments operate in a technically efficient manner and distribute resources and services to those who need them. This is a view of city governments that sees local policy making as an essentially a-political process, driven by the services cities must provide. If true, we might expect governments in cities with large poor populations or severely disadvantaged neighborhoods to expend substantial resources on redistributive functions.

Institutional structure is a fourth factor that according to many helps to constrain local government decisions (Sharp 1991, Pelissero and Krebs 1997, Sass 2000). Institutionalists do not deny the existence of any of the other factors that have already been mentioned. They do, however, contend that governing structures can also change the nature of the local political game and shape the incentives that local political actors face. This institutionalist perspective comes in two variants: one that focuses on local institutions and another that sees the federal institutional structure as more critical.

Although almost any institutional lever at the local level could conceivably help to determine government behavior, institutionalist scholars have tended to focus on a handful of key structures. In particular, nonpartisan elections, the city manager form of government (as opposed to the mayor/council form), weaker mayoral powers, at-large elections, and the absence of term limits are all viewed by at least some urban scholars as reducing the responsiveness of

local government to minority or lower-class interests (Bridges 1997, Welch 1990, Mladenka 1989, Clingermayer and Feiock 2001, Lineberry and Fowler 1967, Banfield and Wilson 1963 but see Morgan and Pelissero 1980). Although evidence for many of these relationships is limited, there is a widespread belief that reform institutions have been instrumental in maintaining middle-class white control in a number of urban centers by depoliticizing the governing process and shaping who wins elections (Bridges 1991, Judd and Swanstrom 1994).

Other institutionalists point to the placement of local governments at the bottom of the hierarchy of the federal system as a critical factor in local policy making (Erie 1988, Browning et al 1984, Salzman 1986). Local governments are subjected to a range of laws and mandates that require spending in some areas and limit spending in other areas. Since a quarter of local government revenues are provided by state and federal governments and since much of this federal and state funding is earmarked toward specific functions, local governments may have little power to control the direction of their own spending. Thus, rather than reflect the preferences of local actors, local government spending may be more likely to reflect functional responsibilities imposed by others.

Trying to Determine Who (or What) Wins

Despite enormous attention to this question, developing and testing a model of how local government works has proven to be a difficult task. The problem, for the most part, has been an empirical one. One of the main problems with existing studies is that they have generally been unable to offer tests that simultaneously incorporate each of these different accounts of urban policy making. The two most seminal studies of this question provide some of the clearest examples of this phenomenon. Peterson (1981), for example, in trying to show that economic considerations predominate includes no measures of political inputs in his analysis of local

government behavior. Similarly, Dahl (1961) argues that political considerations are central but fails to incorporate potentially critical economic factors into his analysis. More recent studies have tried to integrate a broader set of perspectives in their empirical models (eg Schneider 1989, Sharp and Maynard-Moody 1991, Goetz 1994, Feiock and West 1993, Donovan and Neiman 1992) but few of these studies manage to incorporate the entire range of potential factors. Practically speaking, until we have a test that puts all of the different alternatives in one model, we cannot know who is right.

An equally important concern is that the few studies that have been able to incorporate each of the different theoretical accounts in one model are generally forced to limit their analysis to a narrow policy area. We now know, for example, that the presence of black city council members has a measurable effect on minority hiring practices (Kerr and Mladenka 1994). Similarly, we now have a better idea of which factors govern decisions relating to gay rights (Sharp 2002). The problem is that we cannot assume that the variables that matter in one subset of the policy arena matter in others. We are, in short, missing the bigger picture. How does all of this add up to shape the overall pattern of local government priorities?

Beyond these two core concerns are questions about sample size. Some of the more intriguing research is hurt by the limited number of cases it includes. We can, for example, follow the process of social services spending in New York City (Boyle and Jacobs 1982) but will that inform us about decisions on the distribution of parks and other services in Chicago (Mladenka 1980, Koehler and Wrightson 1987) and will either case study give us a clear picture of what matters in cities around the nation? Case studies are important and insightful but broader studies are also needed, particularly ones that include smaller cities in which the majority of the American public lives.

Three Steps to Assessing Local Decision Making

How then do we move forward? The first task is to come up with a broad measure of outcomes. There are myriad ways to think about and measure outcomes in the political arena. We can, as many have done in urban politics in the past, look at the kinds of candidates who win office. Studies of descriptive representation, in fact, abound in the urban politics literature (Bullock and MacManus 1987, 1991, Alozie and Manganaro 1993). Another alternative is to gauge what kinds of voters end up on the winning and losing side of elections. Do voters from a particular racial group, for example, consistently fail to get their candidates elected? Or similarly, is one political party better able to translate votes into seats than another? The number of articles addressing this topic is equally large (Stein and Kohfeld 1991, Lieske 1989, McCrary 1990, Krebs 1998).

These are, however, only interim outcomes. It matters which voters win and then who is elected to office but once in office elected officials still need to act. They have to choose which direction to take their city, district, or state. Ultimately what matters is not who is in government but rather what that government does. Scholars have spent considerable effort assessing what local government does. But as already noted, the bulk of these efforts end with consideration of a particular policy decision or with an analysis of a small subset of policy areas. If we want to understand the big picture of who wins and why, we need to provide a measure that delineates the basic priorities of local government.

We argue that one of the best ways to gauge this kind of overarching agenda is to look at where governments spend their money. Cities and other localities have limited budgets and often limited means of raising extra resources. Thus, where cities choose to spend their money is arguably one of the most important indications of their priorities. Money may also be one of the

better markers of a program's reach or impact. Unless a local government actually commits substantial economic resources to a policy, the policy will often have a marginal impact. It is also worth noting that at the local level, municipalities spend a lot of money – almost \$1.5 trillion dollars in 2007 (U.S. Census of Governments 2007). Where that money goes and where it does not go obviously can have real consequences for large segments of the population. We readily admit that by focusing on spending we overlook a range of equally critical decisions that are undetectable in budgets. Nevertheless, we believe that spending is an important place to start.

Three Spending Categories

Local governments can spend money on any number of different functions or programs. Scholars of urban politics have, however, tended to categorize spending into three basic categories (Peterson 1981, Stein 1990). According to this traditional accounting, local governments can choose to devote their resources to redistributive spending, developmental spending, or allocational spending.¹² Redistributive policies are those that tend to target and benefit less advantaged residents. They include functions like welfare, public housing, health care, and education. Development policy, by contrast, tends to focus on programs which seek to encourage economic growth and the ongoing economic vitality of a city. Developmental spending includes outlays for highways, streets, transportation, and airports. Finally, allocational policy is defined as spending on a range of basic city services that can be considered housekeeping services. This includes services like police and fire protection, and sanitation.

This categorization of spending roughly parallels core divisions in the urban political arena. No demographic group unanimously favors spending in one of these three areas over

¹² In the analysis that follows, spending on these three categories accounts for 41 percent of total government spending on average. Other government functions like debt repayment, insurance costs, and government administration are more difficult to categorize and do not fit neatly into this scheme.

spending in all others but there is ample evidence in the urban arena and elsewhere to indicate that spending priorities diverge across these three categories. Surveys of urban residents and evidence from national polls both show divergent priorities between poor, minority respondents on one hand and more advantaged white respondents on the other. A range of different kinds of surveys all find that poor, minority residents are especially concerned about redistribution and social services, while whites and the middle class are especially concerned about attracting businesses and other aspects of development, reducing taxes, and improving their quality of life through better parks and recreation and easier transportation (Welch et al 2001, Lovrich 1974, Deleon 1991, Erikson et al 1991, Himmelstein and McRae 1988, and Clark and Ferguson 1983).¹³ Thus, by looking at patterns of spending across these three categories we can begin to assess winners and losers.

Local governments can, as we have just noted, affect policy by deciding how to split up the existing revenue pie. But they can also affect policy through more fundamental fiscal decisions like raising money via higher taxes or incurring greater debt. In other words, they can change the size of the existing revenue stream (see Schneider 1988, 1989 and Krebs 1997 for analysis of total government size and spending). Especially in today's fiscally challenged urban environment, these kinds of fiscal decisions may represent one of the few avenues through which local governments can initiate major policies and affect the well-being of different groups. Thus, it is important not to look only at spending but also at taxation – including the types of taxes that cities rely on – and debt.

A second key to addressing this longstanding debate is to try to offer a more comprehensive test of local government policy making. Practically speaking, that means that we

¹³ The notion that business interests and other privileged groups regularly seek greater developmental spending is widely supported in the urban politics literature (Logan and Molotch 1987).

have to acquire a range of measures that assess potentially relevant political, economic, institutional, and bureaucratic inputs. No single source contains data on all of these different factors but by merging together data from a variety of different surveys and data sources, we are able to offer a more complete empirical model that directly tests the influence of each of these perspectives against each other on major local government decisions.

The other important step is to test these different theories against a large, representative sample of cities. Fortunately, our data sets allow us to do that. All told, we have data on government spending and the different factors that could affect spending decisions for 7,174 cities across 4 different years (between 1986 and 2001).¹⁵ By fully incorporating each of these different perspectives against a large sample of localities across the country, we hope to provide an illuminating account of how local government actually works.

Data and Variables

As already mentioned, to understand how these different factors affect government priorities, we analyze the spending preferences of localities across three core areas: 1) redistributive 2) developmental, and 3) allocational. In line with Peterson (1981), Stein (1990), and other research on local government spending, the specific local government functions that fit into each spending area are as follows: redistributive (welfare, housing and community development, health services, and education), developmental (highways, streets, transportation, and airports), and allocational (fire protection, police, sewerage, and solid waste). For each of the three spending areas, we measure the proportion of total government expenditures that goes to programs in that area.

We considered looking at change over time in spending practices within a specific city but chose to look at total current spending for two reasons. First, since cities only shift a tiny

¹⁵ Not every city is represented in each year of the data set. There are 4,594 cities in each data year on average.

fraction of their budget from category to category over the course of a year or two, focusing on these changes would ignore the bigger picture. Second, small yearly shifts in spending represent – almost by definition – deviations from the basic pattern of spending and thus might be a poor indicator of city’s core priorities.

In each spending area, we only include those specific spending categories that we feel fit clearly into that spending area. We drop from our analysis categories of spending (like government administration, judicial functions, or insurance) that are harder to categorize. Nevertheless, even among the specific categories that we do include, all do not fit equally well into one of the three larger spending areas. Some could argue, for example, that educational spending is not clearly redistributive as it serves both advantaged and disadvantaged interests. To address this issue, we repeated the subsequent analysis two different ways. First, we dropped specific categories of spending like education that arguably fit less clearly into one of the three larger spending areas. Second, we broke down the larger spending areas into their constituent components and re-ran the regressions focusing on each single spending category. This secondary analysis generally confirmed our primary analysis.¹⁶ Our data on spending come from the 1987, 1992, 1997, and 2002 Census of Governments – the principal source for local government finances. Given the roughness of the available census categories, there is little doubt that spending in each of the three areas will be far from perfectly measured. However, the noise surrounding the measure should only serve to increase confidence in the relationships that we do uncover.

¹⁶ Our primary focus is not on these smaller sub-categories of spending because we believe there is too much noise in these smaller, more specific categories. Variability in functional responsibility across cities means that many cities are not responsible for many of the specific sub-categories. Many cities, for example, have no airport spending and others do not control education. By aggregating to the three larger spending areas, we average out at least some of this noise.

We then merged this spending data with data on the political, economic, and institutional conditions and basic needs in each municipality using four different data sources. The main source for data on local political leadership, political competition, and institutions is a series of four ICMA surveys that went out to municipalities in 1986, 1991, 1996, and 2001. Since we include all responses to the survey from all four years, our data set includes many cases with multiple observations from the same city. To account for the non-independence of different observations from the same city, we cluster standard errors by city and include year fixed effects in all of the models. The other sources for data are the decennial Census (for demographics), the CQ Voting and Elections collection (for local partisan preferences), and data collected by Morton, Shipan, and Springer (2007) (for the party of the Governor and the partisan makeup of the state legislature).

Since the ICMA contains far fewer observations than any of the other data sets, our final list of cases is essentially derived from the ICMA. As such, it is important to detail the nature of the ICMA surveys. The ICMA is mailed to clerks in every locality in the United States with over 2,500 residents and has an average response rate of 64 percent across the four years. In other words, it has extensive coverage of American municipalities. The population of the localities that respond is fairly representative of the national urban population. Analysis comparing the socioeconomic status and racial demographics of ICMA cities with the population of all U.S. cities indicates that the ICMA is representative of the nation as a whole (Aghion, Alesina, and Trebbi 2005).¹⁷ A comparison of the spending patterns of ICMA cities with municipalities that did not respond to the ICMA indicates that the IMCA sample is representative on our key dependent variables as well. By polling city clerks directly, the survey is able to provide

¹⁷ Aghion, Alesina, and Trebbi (2005) also compared cities that responded to the survey with cities that did not respond and conclude that there is no obvious response bias.

relatively accurate measures of local structure and conditions. A range of tests indicates that the figures reported by city clerks are, in fact, reasonably accurate.¹⁸

To determine the relative impact of political, economic, institutional, and needs-based factors in government decision making, we include a lengthy list of independent measures in our model. First, to see if local governments are responding to political considerations and in particular to public preferences, we include one primary measure of the local political preferences, the two party Democratic presidential vote share at the county level (CQ Elections and Voting collection 1984, 1988, 1992, 1996, 2000). We linearly interpolate these data to generate estimates for years that do match our ICMA data.¹⁹ In alternate tests we incorporate into our model several measures related to the competitiveness of local elections and the nature of local political leadership from the ICMA surveys. We gauge the competitiveness of local elections with a measure of the percent of incumbents winning re-election in the most recent council election. We assess local political leadership, with measures of the portion of the city council that is black, Latino, and Asian American. Finally, we examine the role that state level politics has on local policy decisions. Here we add data on the partisan makeup of the state legislature collected by Morton, Shipan, and Springer (2007).

Second, to account for economic competition and the belief that governments will only expend substantial resources on redistributive functions when they have considerable financial resources and excess spending capacity, we include a measure of overall spending capacity – per

¹⁸ Our validation tests focused primarily on city clerk reports of local voter turnout and local electoral outcomes. When we compared city clerk election responses to actual election returns reported by the board of elections for a sample of elections, we found that the city clerk reports were quite accurate. Similarly, when we compared the reports of city clerks to registration and turnout data published in two studies (-----2 004, Hampton and Tate 1996) we found that the two data sets were once again indistinguishable (mean turnout for same elections 43.1 vs. 41.8; $p=.76$). City clerk turnout reports have also been validated elsewhere (---- 2002).

¹⁹ Although county boundaries do not always conform well to city geographic boundaries, we performed additional analysis that suggests that the county presidential vote provides a reasonable approximation of city preferences. Specifically, we compared the city level and county level presidential vote for the largest 100 cities and for all California cities. The county and city vote were correlated at .84 at the national level.

capita general revenue. Also, since local governments that are more successful at tapping into federal or state funds may have more leeway in spending and may thus be able to increase redistributive spending, we included the total per capita intergovernmental revenue from state and federal governments (Schneider 1988, 1989, Chubb 1985). In alternate specifications we include median household income, local bond ratings, and five year changes in government revenue. Revenue data are from the Census of Governments. Median income is from the decennial Census. Bond ratings are compiled in the City and County Data Book (1986).

Third, to see if local governments are more technocratic and are simply providing services to those who need them, we include several measures of need. Specifically, our analysis incorporates the poverty rate in the city, the local unemployment rate, city size, and city type (suburb, central city, or stand alone municipality). In alternate specifications, we also consider the citywide crime rate, the size of the black population, and recent changes in the employment rate and in the total population (change over the last 5 years).²⁰ Demographic data are from the decennial Census with exception of crime figures which are acquired from the City and County Data Book (1986).

Fourth, since a range of urban theorists have cited electoral institutions as a central influence on government spending decisions and in particular have pointed to reform structures as particularly unsupportive of minority and disadvantaged interests, we assess the roles of at-large elections (vs. districts), nonpartisan elections, the city manager form of government (as opposed to the mayor/council form), and term limits.

The other larger institutional structure that could affect American cities is federalism. Specifically, each city is subject to different constraints and opportunities that are related to its

²⁰ We readily admit that these measures of need perform much better at assessing need for redistributive spending than they do for allocational and developmental spending.

status in a federalist system (Stein 2003, Schneider 1989, Chubb 1985). We test for four different aspects of that system. To address the possibility that local government spending may be affected by fiscal constraints placed on city government by state law, we control for the existence of a constitutional or statutory limitation on the amount of debt a city may incur, the presence of a state law limiting local property taxes, and the presence of a constitutional or statutory law mandating a balanced budget for the city (source: U.S. Advisory Commission on Inter-governmental Relations 1993). As well, to control for the fact that different localities have different spending mandates imposed on them from above, we include a measure of the functional responsibility of the municipality –a count of the total number of specific budget categories (within each of the three broader spending areas) for which a government has any current operating expenditures. Data on local institutional structure are derived from the ICMA survey and the Census of Governments (1987-2002).

Finally, we also take into account a range of smaller features of the local environment that have been shown to be relevant to at least some aspect of fiscal policy. Since the nature of cities differs substantially by location we add dummy variables for each region (West, Midwest, Northeast, and South). Another potentially important characteristic of the urban environment is the number of cities that are nearby. Schneider (1989), in particular, argues that the more local governments a city has to compete with the more constrained its own spending will be. To control for this possibility, we include a measure of the number of incorporated places in the county (Source: Census Federal Information Processing Codes 2000).²² Descriptive statistics for all independent and dependent variables for the city council regressions are in the Appendix.

Spending Priorities in America's Municipalities

²² In alternate tests, we also included the number of cities in the local SMSA. The results were nearly identical

Where do local governments spend their money? If we simply focus on average local government expenditures across all cities in the ICMA surveys over the past 15 years, the most notable that emerges is the limited nature of redistributive spending. Of all the money local governments have spend, on average only 9.6 percent is directed toward redistributive functions. Moreover, of the limited funds that do go toward redistribution, fully half are directed toward education, which although generally redistributive in nature, can also regularly serve more advantaged segments of the community, particularly in more homogenous cities. The most purely redistributive functions account for a tiny fraction of local government spending. On average, cities spend less than one half of one percent of their budgets on public welfare. Spending on public housing programs (1.7 percent) and public health (0.7 percent) accounts for only a slightly larger portion of the average city budget. In short, the poor and the disadvantaged are not the main target of local government spending.²³

Since the direction of local government spending is in part mandated by state and federal grants, laws, and agencies, these patterns, in some ways, reflect the priorities of state and national government as much as they do local government priorities. Nevertheless, this pattern seems to fit well with the economic imperatives story outlined by Peterson (1981). Cities are generally avoiding spending on redistributive programs that could be viewed as costly and unproductive – at least if one’s main priority is attracting mobile capital.

At the same time developmental spending far from dominates local government expenditures. In fact, spending on highways, streets, transportation, and airports amounts to only 12.4 percent of local budgets, on average. This may outweigh redistributive spending, but it

²³ These figures are for localities in the 1986 to 2001 ICMA surveys. There is no stark pattern of change between the different years of the survey.

suggests that cities may not see development and the attraction of capital as their number one priority.

In fact, allocational spending accounts for the bulk of spending across the three categories we examine. Localities spend an average of 19 percent of their budgets on police and fire protection and sewage and waste. We cannot tell from these basic statistics whether localities spend money on these services to attract and retain middle- and upper-class residents and businesses, because they are pressured by voters, or because higher levels of government force them to do so, or simply to meet the needs of their residents. What is clear is that a big part of the job of local governments is to provide basic services to their residents.

What is also clear is that there is enormous variation in the pattern of expenditures across different localities. While the average municipality spends only 9.6 percent on redistribution, the standard deviation in redistributive spending across localities is 17.4 percent. On one extreme, over ten percent of all municipalities spend a third or more of their expenditures on distributive functions. At the other extreme, ten percent spend next to nothing on policies like welfare, health, and housing. And although variation across cities is most pronounced for distributive spending, there is also considerable deviation in spending patterns for developmental and allocational expenditures. Across the nation, the standard deviation for developmental spending is 9.4 percent and for allocational spending it is 10.5 percent. Different cities do not spend all of their money on the same things. Moreover, this variation in spending is not due solely to the different mandates that are placed on local government by the different state legislatures. There is still considerable variation in where different cities in the same state spend their money. On average, the standard deviation in spending within states is 10.2 percent for redistributive spending, 8.8 percent for allocation spending, and 8.0 percent for developmental spending. The

within state deviations fall but only a little. What all of this suggests is that there is a lot to explain in terms of local expenditures. In the next section, we attempt to uncover the factors that explain the choices individual localities make. In short, we attempt to determine who or what governs at the local level.

Who or what Governs?

In tables One and Two we begin our analysis of the role that economic, political, bureaucratic, and institutional considerations play in the local political arena. Table One shows the results of regressing each of the three categories of expenditure on the extensive list of independent variables described above. Table Two then demonstrates the substantive impact of each independent variable as it ranges from the 5th to 95th percentile.²⁴

Rather than confirming any single story, these data paint a complex picture. No single theoretical perspective comes close to fully explaining local government decisions. Instead, the tables confirms the relevance of each of the different factors. Politics, economics, institutions, and needs all shape local government decisions. [INSERT TABLES ONE AND TWO ABOUT HERE]

As Table One shows, contrary to what many urban theorists have argued there is plenty of room for political considerations to factor into government decision making. More specifically, partisan preferences play a considerable role in determining how local governments spend their money. As one would expect cities with more Democratic or liberal leaning populations are much more apt to spend money on redistributive programs like welfare, health services, and public housing and on municipal services like police, fire, and sewerage. Table Two indicates that these effects can be quite substantial. All else equal, the results suggest that

²⁴ To assess the effect of each variable, we used a simulation procedure developed King, Tomz, and Wittenburg (2000). All other variables are held constant at their mean or modal value.

more Democratic cities spend 16% more on redistributive spending than more Republican cities. Political imperatives are anything but irrelevant. Dahl's (1961) assertions about the relevance of the public in local democracy, thus, garner considerable support here.²⁸

Interestingly, in a finding that we will see repeatedly in our analysis, politics plays less of a role in developmental policy decisions. The local population appears to have little real say in how much money goes to developmental projects. Since developmental programs are often viewed as disproportionately benefiting privileged interests in society, the fact that developmental spending is not linked to public preferences may be an indication that cities feel they cannot shift away from developmental spending if they want to remain competitive and continue to attract businesses. This certainly fits with Peterson's (1981) claims about the importance of development.

It is clear from Table One that economic constraints are also a critical factor driving local spending.²⁹ As Peterson (1981) and others have suggested, cities are limited in what they can do, if they do not have an economic surplus. In particular, as Table One demonstrates, if cities have limited economic resources (as measured by total revenue per capita), policies designed to increase development and economic competitiveness are likely to be maintained or expanded while redistribution is likely to experience cuts. The flip side is that the more money governments have to spend, the more generous they can be with redistributive spending. The

²⁸ Alternate tests revealed that when we expand our test of political imperatives to include measures related to state level political leadership, we find additional political influences. Municipalities in states with unified Democratic state governments (where the governor is a Democrat and the state legislature is majority Democrat) are significantly more likely than localities in either Republican dominated states or divided government states to devote local resources to redistributive programs. Localities, in Republican controlled states are significantly more apt to spend on allocation. Once again, we find that there are few political influences on developmental spending. We did not, however, find similar effects for local political leadership – measured either as the racial makeup of the city council or the proportion of incumbents winning reelection. (Analysis not shown).

²⁹ In additional tests we found that neither potential resources (measured as median household income) nor recent gains in resources (measured as change in total revenue, change in intergovernmental revenue, and change in household income -all over the past five years) had clear and significant effects on spending.

effect of economic constraints, as Table Two demonstrates, is substantial. Rich cities spend almost double the amount that poor cities spend on redistribution. By contrast, rich cities spend about 15% less of their budgets on developmental programs compared to cities with limited cash. It also matters where the money comes from. The more money that cities receive from state and federal sources, the more willing they appear to be use resources for redistributive spending.³¹ Cities that garner high levels of intergovernmental revenue spend 63% more on redistributive expenditures than cities with the lowest levels of intergovernmental revenue.³² Conversely, cities with more limited intergovernmental resources tend to concentrate their spending on allocational services.³⁴

The effects of local government institutions are also illuminating. Contrary to expectations, reform institutions do not always lead to decreased responsiveness to minority or lower-class interests. The effects of institutions are, in fact, quite mixed. At least one institutional feature conforms to expectations. The presence of term limits – a reform that supporters believe will allow for more inclusive leadership – leads to a significant increase in redistributive spending. But one other institutional effect is less predictable. Nonpartisan elections are tied to more redistributive spending despite the fact that this reform is often viewed as aiding privileged interests in the local community.³⁵ Overall, perhaps the most compelling interpretation of these results is that local institutions are not as consequential as some have

³¹ Alternate tests which separated state and federal transfers indicated that both were positively and significantly related to redistributive spending (not shown).

³² The relationships that we see between intergovernmental spending and city spending could either be because state and federal transfers give cities more money and thus more flexibility (an economic influence) or because the money from higher levels of government is earmarked toward particular programs (a political imperative). To try to test these two alternatives, we broke down intergovernmental transfers by area of spending. Our results suggest that the earmarking influence is more important .

³⁴ Table One offers one other piece of support for Peterson’s hypothesis regarding competition among cities. A large number of places in a county is associated with a greater focus on developmental and allocational spending (see also Schneider 1989 on competition).

³⁵ These two divergent results are more in line with recent studies which show that reform institutions can be used by any class of interests (---- 2008). Wherever minorities and other left-leaning groups have now won a place in the governing coalition they seem to be able to use the same reform institutions to insulate their own power.

argued. Most of the local institutions we test in the three models in Table One are either insignificant or substantively not very meaningful.

Institutional structure is, however, critically important in one another way. Federalism functions as an important constraint on spending. As one would expect, cities spend more on categories for which they have greater functional responsibility. When cities are responsible for all distributive spending sub-categories (evidenced by at least some spending in each category), they spend 6 times more than cities that are responsible for only 1 out of 6 spending areas.³⁶ State imposed measures that limit city level debt and local property taxes and mandate balanced local budgets also strongly shape local government spending decisions. The more that states limit local government spending and fundraising the less local governments are able to spend on redistributive functions. According to Table Two, two of the three state imposed measures can decrease redistributive spending by a third. If cities are not allowed to raise taxes or to incur debt, it appears to make it that much harder to expend additional resources on the more disadvantaged segments of the population. Interesting, these state level constraints do less to structure allocational or developmental spending which appear to be relatively impervious to state imposed rules. In short, local institutional structure and a city's status in the federal system both influence what a city does or does not do.

Finally Table One also suggests that basic needs have some relevance in spending decisions. Perhaps because our measures of need are somewhat limited, their effects are somewhat mixed. We find, for example, that in central cities where the homeless and other highly disadvantaged segments of the population often concentrate and where problems of crime and poverty are often the most visible, more resources are devoted to redistribution and

³⁶ To further ensure that state imposed functional responsibilities are not responsible for the results we see in Tables One and Two, we re-ran the analysis using state fixed effects. None of the basic conclusions changed.

allocational categories and fewer resources are spent on development.³⁹ But we also fail to find a significant relationship between the two most basic measures of need - poverty and unemployment - and redistributive spending. Moreover, there is no consistent pattern to the relationships between our measures of need and developmental or allocational spending.

In an extension to our analysis of basic needs, we added a measure of the size of the local black population to the models in Tables One and Two. Cities with larger black populations might have special disadvantages that could warrant greater redistributive spending. We found, however, that percent black had the opposite effect. Cities with larger black populations spend significantly less on redistributive programs. All else equal, city governments provide about half as much on redistribution when the city population is half black than when it is only five percent black. Perhaps the best explanation for this is racial discrimination. Large scale redistributive spending seems to depend on public goodwill that may be absent when African Americans make up the bulk of the needy population.

In short, local government is not dominated by a single model of behavior. Each of the four major theories highlighted in the extensive literature on local politics plays at least a contributing role. Decisions about where to concentrate limited resources factor in the imperatives of the political game, the constraints of economic resources, the needs of the population, and the design of institutions.

As a check on these results, we performed a series of robustness tests. First, since the amount of money that cities spend on any one area may be inversely related to the amount of spending that they direct to one of the two other areas, we repeated the analysis using a

³⁹ The difference between central cities and suburbs goes beyond what we see in Table One. When we looked at spending decisions in central cities and suburbs separately, we found that the factors that govern decision making in the two types of localities differed somewhat. In central cities, political imperatives play a larger role, while in suburbs factors like the partisan leaning of the population are generally insignificant. In suburbs, economic concerns seem to dominate more. This may be an indication of heightened competition between suburbs.

seemingly unrelated regression which specifically takes into account the likely relationship between the different dependent variables. Second, given that national economic and political conditions can vary from year to year, we undertook separate analysis of each year in the data set. Neither of these tests led to a change in our overall conclusions about local democracy. Third, we assessed the model for collinearity and found that only two sets of variables (general revenue and intergovernmental revenue in one case and percent poor with percent unemployed in the other) were even modestly collinear ($r > .40$). When we re-ran the analysis dropping each of these four variables one-by-one, little changed.

Finally, because there is some variation in how well each of the sub-categories of spending that we include fit into each of the three larger categories of spending that we examine, we repeated the analysis two different ways. In one test, we dropped categories of spending like education that arguably fit less clearly into one of the three larger spending areas. Our results were not significantly altered with these more restricted spending categories. In the second test, we broke down the larger spending areas into their constituent components and re-ran the regressions focusing on each single spending category. Two interesting findings emerged from this latter analysis. First, the politics of allocational spending varied substantially depending on the type of service.⁴¹ Whereas more Democratic municipalities spent significantly more on law enforcement and fire protection, they spent significantly less on waste management. This fits well with public opinion data that notes that different segments of the community have different service priorities (Lovrich 1974, -----). Areas of allocational spending most closely associated with poor, minority interests - police and fire protection - were most positively affected by having a more liberal or Democratic population. Likewise, services like trash collection that are

⁴¹ All subcategories of redistributive spending were either significantly or nearly significantly related to partisan preferences.

a higher priority for wealthier communities were negatively impacted by having a more left-leaning population. Perhaps more interestingly, we found one subcategory of developmental spending where Democratic politics played a significant and negative role. A more Democratic population meant less developmental spending on airports. Since airport spending is the area of developmental spending that could be the least popular among poor, minority populations who rarely fly, this is the arena where we should expect to find the strongest negative relationship. Given that most cities do not have any fiscal responsibility for airports, however, this last result may be more suggestive than conclusive.

Fiscal Policy

In addition to deciding where to spend their money, municipalities also have to make important decisions about how much money to spend and where to raise that money. These fundamental fiscal policy decisions may be even more important to the local population than spending decisions. Localities are often fiscally constrained. If they want to create or expand programs, they may have little choice but to raise more money. Equally consequential is the decision about where to acquire these funds. The option of increasing taxes is rarely popular but it can provide localities with considerably more resources than they would otherwise have. Thus, in Table Three we analyze the factors that contribute to fiscal policy decisions. We employ essentially the same model as presented in Table One. The main exception is that we drop actual general revenues and replace it with a measure of potential government revenues - median household income.⁴² Instead of focusing on spending categories as the dependent

⁴² We cannot include general revenues in a model of per capita taxes because of concerns related to endogeneity. It is not clear whether total revenue drives tax policy decisions or is instead a function of the amount of taxes localities collect. In alternate tests, we found a strong, positive correlation between general revenues and higher per capita taxes. Inclusion of the general revenue variable did not substantially affect the other relationships we see in Table Three. For the same endogeneity concern, we substituted total intergovernmental revenue with the proportion of all revenue from intergovernmental transfers.

variables we use total taxes per capita and total debt per capita. [INSERT TABLE THREE ABOUT HERE]

As we found for spending categories, politics appears to influence municipal fiscal policy. The results in the first column of Table Three indicate that localities with large proportions of Democratic voters are more willing to increase taxes to expand the fiscal revenue stream. All else equal Democratic cities see tax rates that are about 9 percentage points higher than Republican cities (.59 compared to .50). Moreover, politics also appears to play a role in determining what type of taxes a municipality pursues. The third model in Table Three indicates that the proportion of all taxes that derive from property taxes is significantly higher in more Democratic localities. A more Democratic population is not, however, a factor that impacts the level of debt. Total outstanding debt is unrelated to the partisan leaning of the local population.

Economic resources are also a factor in tax policy. The positive effect of median household income indicates that when voters have the capacity to pay they may be more willing to incur higher taxation. The negative effect of intergovernmental transfers suggests that when localities get more money from state and federal sources, they have to rely less on taxing their own residents.

Local institutions also have substantial but perhaps unintended effects on tax policy. Contrary to the claims made at the turn of the century that municipal reform would lead to more frugal governments, nonpartisan elections and city managers are associated with higher tax rates and cities with at-large elections see an increased reliance on property taxes. Also somewhat ironically, states that require their cities to balance their budgets tend to promote higher tax rates. Presumably, this balanced budget requirement puts a strain on cities that forces them to raise taxes to end the fiscal year deficit free.

Finally, bureaucratic imperatives are not terribly important here. Cities with more poor or unemployed residents are not more likely to increase tax burdens to try to address problems in the city, perhaps because their populations cannot sustain such burdens. However, other measures of the needs and obligations of the municipality do appear to play a role. Perhaps because they have higher infrastructure burdens, central cities tend to have higher taxes while suburbs tend to have lower taxes.⁴³

Debt policy was poorly explained by all of these different factors. Higher intergovernmental revenues seem to help localities avoid debt, and suburbs – again perhaps because they have fewer infrastructure requirements -- were less apt to have substantial debts. But otherwise the variables in our model did not do a good job of accounting for the amount of outstanding debt.⁴⁴ As the tiny *R* squared (.02) in the second column of Table Three indicates, the total debt held by different localities was almost wholly unrelated to our measures.⁴⁵

Conclusion

Urbanists have long debated about who or what it is that controls local government decision making. The results presented here suggest that local government spending decisions are more multifaceted than at least some previous accounts have suggested. Local government budgets are a function of a complex interplay of politics, economics, institutions, and basic needs. Municipal decision makers are businessmen reacting to economic constraints. They are

⁴³ Lower taxes in suburbs could also be a function of greater competition between suburbs.

⁴⁴ State imposed debt limits did not appear to do their job all that well. Cities in states with these limits actually had significantly higher debt rates. This positive relationship may simply be the result of debt laden states belatedly acting to try to stem the tide of high municipal debt.

⁴⁵ In alternate tests (not shown), we also looked at the effects of each of these different factors on government hiring decisions – namely on the percent of the budget devoted to payroll and the percent of public employees who are unionized. In both cases, we reached similar conclusions about the relevance of each factor. Politics is especially important both in spending on payroll and in unionization. More Democratic cities spend more on payroll and hire proportionally more union employees. But economic constraints are also relevant with lower household incomes and more limited intergovernmental transfers decreasing the ability of cities to make public jobs unionized. Needs mattered in that higher unemployment was associated with more government hiring and more unionized hiring. Finally, institutions – both local and state level – structured local hiring decisions in a range of meaningful ways.

politicians and office seekers who listen to the views of the public and the concerns of voters. They are bureaucrats responsive to the particular needs of their resident population. And finally, they are rational actors constrained by the particular features of their local institutional structure. If we want to improve local policy outcomes or even if we just want to understand how certain outcomes are reached in our cities, we need to consider the interplay of all of these factors.

Understanding who or what governs the local political arena is important. Although presidential and Congressional elections get much of our attention, urban politics represents a key component of American democracy. Policy decisions at the local level affect citizens in profound and immediate ways (Pellissero 2003, Judd and Swanstrom 1994). Local governments control basic services like public safety, education, and water and make critical decisions about land-use and development. More than a quarter of all government expenditures - over one trillion dollars - are distributed at the local level. It is, therefore, not too much of a stretch to argue that “the functions of government that have most impact on citizen’s daily lives” are within the purview of local governments (Oliver 2001:15). In short, it matters who wins and who loses in a political arena that touches more and more regularly on the lives of residents. We have only examined one aspect of local democracy – local spending patterns – and thus our work is far from the last word on urban politics. Nevertheless, to the extent that we have helped to figure out how one part of urban democracy works, we may be one step closer to identifying reforms that will improve outcomes for residents in America’s cities.

Table 1. The Effects of Economics, Politics, Institutions, and Need on Spending Priorities

	Proportion of Government Expenditures to....					
	Redistribution		Development		Allocation	
	Coefficient	St Err	Coefficient	St Err	Coefficient	St Err
<u>POLITICS</u>						
<i>Public Opinion</i>						
Democratic share of presidential vote	0.025 *	0.012	0.015	0.009	0.087 ***	0.011
<u>ECONOMIC RESOURCES</u>						
Government Revenue (per capita)	0.026 ***	0.006	-0.010 ***	0.002	-0.008 *	0.003
Intergovernmental Revenue (per capita)	0.060 ***	0.014	-0.000	0.006	-0.046 ***	0.008
<u>INSTITUTIONS</u>						
<i>Local Institutions</i>						
City Manager vs. Mayor	0.001	0.003	-0.002	0.002	-0.007 **	0.002
Percent council elected at-large	-0.005	0.003	0.000	0.002	0.001	0.003
Term Limits	-0.008 *	0.004	0.003	0.003	0.009 *	0.004
Nonpartisan	0.018 ***	0.004	0.002	0.002	-0.013 ***	0.003
<i>State and Federal Institutions</i>						
Functional Responsibility	0.033 ***		0.009 ***	0.001	0.045 ***	0.004
Legal limit on debt	-0.009	0.006	-0.004	0.004	0.006	0.007
Property tax limit	-0.029 ***	0.005	0.004	0.003	-0.003	0.004
Balanced budget provision	-0.015 ***	0.004	-0.006 *	0.003	-0.001	0.004
<u>NEEDS</u>						
Poverty rate	0.021	0.025	-0.060 **	0.018	-0.103 ***	0.021
Unemployment rate	0.156	0.096	-0.210 **	0.069	0.389 ***	0.081
Population (millions)	-0.031 **	0.012	-0.025 *	0.011	-0.024 **	0.009
Central City	0.013 *	0.006	-0.020 ***	0.003	0.026 ***	0.004
Suburb	-0.039	0.036	0.005 *	0.002	0.054 ***	0.003
<u>LOCAL CONTEXT</u>						
West	-0.013 **	0.004	0.039 ***	0.003	0.014 **	0.004
Midwest	-0.004	0.004	0.037 ***	0.003	-0.020 ***	0.004
Northeast	0.041 ***	0.007	0.018 ***	0.004	-0.036 ***	0.005
Number of places in county	-0.000	0.000	0.000 *	0.000	0.000 **	0.000
1986	0.019 ***	0.004	-0.001	0.002	-0.015 ***	0.002
1992	0.014 ***	0.004	-0.009 ***	0.002	-0.014 ***	0.002
1996	0.010 ***	0.003	-0.011 ***	0.002	-0.007 **	0.002
Constant	-0.047 ***	0.011	0.102 ***	0.007	0.083 ***	0.010
R-squared	0.344		.106		0.164	
N	13185		13610		13624	

Figures are coefficient and their standard errors ***p<.001 **p<.01 *p<.05

Source: ICMA Surveys 1986-2001, Census of Governments 1987-2002, Census 1990 and 2000.

Table 2: Simulated Budgetary Allocations
Effect Moving from the 5th to 95th percentile of Each Significant Independent Variable

	Redistribution		Development			Allocation	
	Estimate	% Change	Estimate	% Change	Estimate	% Change	
POLITICS							
Democratic share of presidential vote	6.14%	16% *			17.98%	18% **	
	7.07%				21.27%		
ECONOMICS RESOURCES							
Government Revenue (per capita)	5.06%	89% ***	12.69 %	-15% **	20.07%	-7% **	
	9.57%		10.96 %		18.67%		
Intergovernmental Revenue (per capita)	5.57%	63% ***			20.37%	-12% **	
	8.78%				17.94%		
INSTITUTIONS							
City Manager vs. Mayor					20.00%	-6% **	
					19.27%		
Percent council elected at-large							
Term Limits	6.64%	-13% *			19.54%	5% *	
	5.82%				20.44%		
Nonpartisan	5.18%	35% ***			20.68%	-7% ***	
	6.97%				19.30%		
Functional Responsibility	3.30%	603% ***	11.76%	15% ***	15.76%	28% ***	
	19.9%		13.51%		20.23%		
Legal limit on debt							
Property tax limit	8.91%	-32% ***					
	6.02%						
Balanced budget provision	6.84%	-32% ***	12.21%	-5% *			
	5.30%		11.56%				
NEEDS							
Poverty rate			12.73%	-13% **	20.69%	-13% ***	
			11.11%		17.90%		
Unemployment rate			12.58%	-9% **	18.69%	12% ***	
			11.43%		20.84%		
Population (millions)	6.66%	-7%	12.16%	-2% *	19.65%	-1%	
	6.42%		11.97%		19.46%		
Central City	6.47%	21% **	12.28%	-8% **	19.36%	13% ***	
	7.81%		10.26%		21.97%		
Suburb			11.83%	4% *	16.77%	32% ***	
			12.34%		22.16%		

Note: Estimates produced by running Clarify on regressions presented in Table 2. All other variables set at their mean (for continuous variables) or median (for dummy variables) ***p<.001 **p<.01 *p<.05

Table 3. The Effects of Economics, Politics, Institutions, and Need on Fiscal Policy

	Taxes Per Capita		Debt Per Capita		% Property Taxes	
	Coefficient	St Err	Coefficient	St Err	Coefficient	St Err
<u>POLITICS</u>						
<i>Public Opinion</i>						
Democratic share of presidential vote	0.365 ***	0.081	0.535	0.504	0.232 ***	0.034
<u>ECONOMIC RESOURCES</u>						
Median Household Income	0.008 ***	0.002	0.003	0.006	0.001 **	0.000
% Revenue Intergovernmental Sources	-0.479 ***	0.058	-2.373 ***	0.481	0.471 ***	0.027
<u>INSTITUTIONS</u>						
<i>Local Institutions</i>						
City Manager vs. Mayor	0.020 *	0.009	-0.015	0.11	0.029 ***	0.007
Percent council elected at-large	-0.006	0.011	-0.191	0.197	0.047 ***	0.008
Term Limits	0.013	0.034	-0.307 **	0.117	-0.036 **	0.012
Nonpartisan	0.067 ***	0.013	0.250 **	0.083	0.055 ***	0.010
<i>State and Federal Institutions</i>						
Legal limit on debt	0.044	0.079	0.527 *	0.251	-0.053 **	0.017
Property tax limit	-0.023	0.022	-0.010	0.179	-0.032 **	0.010
Balanced budget provision	0.105 ***	0.026	0.009	0.189	0.047 ***	0.012
<u>NEEDS</u>						
Poverty rate	-0.005	0.271	-0.320	0.945	-0.741 ***	0.069
Unemployment rate	0.454	0.972	-3.519	3.948	0.854 ***	0.227
Population (millions)	0.017	0.073	0.835	0.516	-0.002	0.042
Central City	0.129 ***	0.019	0.245 *	0.124	-0.032 *	0.013
Suburb	-0.045 *	0.021	-0.354 **	0.135	-0.066 ***	0.01
<u>LOCAL CONTEXT</u>						
West	0.049 †	0.029	0.66 †	0.366	-0.152 ***	0.013
Midwest	-0.034 †	0.02	0.195	0.118	0.109 ***	0.011
Northeast	0.155 ***	0.03	0.061	0.099	0.300 ***	0.013
Number of places in county	0.000	0.000	0.000	0.001	-0.000 ***	0.000
1986	-0.244 ***	0.024	-0.518 ***	0.070	0.034 ***	0.006
1992	-0.2 ***	0.027	-0.560 ***	0.099	0.025 ***	0.006
1996	-0.124 ***	0.028	-0.346 **	0.103	0.004	0.005
Constant	0.145	0.09	1.530 ***	0.403	0.358 ***	0.029
R-squared	0.086		0.019		0.272	
N	13624		13624		13624	

Figures are coefficient and their standard errors ***p<.001 **p<.01 *p<.05 † p<.10
Source: ICMA Surveys 1986-2001, Census of Governments 1987-2002, Census 1990 and 2000.

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