Can alternative forms of governance help metropolitan areas?

Richard H. Mattoon

Economic development theorists are increasingly promoting the development of strong regional economies as the key to successfully attracting and maintaining economic activity when global competition and technological change are making business location choices increasingly far-flung.[1] At the core of healthy regions are metropolitan areas that offer the amenities and services that businesses demand. One school of thought suggests that while metropolitan areas are particularly critical to regional economic success, current growth patterns are leading to urban sprawl and the inefficient delivery of public goods and services that will ultimately undermine the economic prospects of entire metropolitan regions. Yet deconcentration of economic activity is entirely rational given the present rules of the economic development game. Research has shown that any town will receive a tax benefit from securing commercial development even if that development has negative spillover effects on the region.[2] However, since there are no political and economic structures to promote the region's interests over those of individual towns, the pattern of uncoordinated growth continues. The most frequently suggested solution to this problem is some form of centralized metropolitan or regional government that can coordinate growth and help the entire region to share the benefits of economic growth.

In addition to the potential benefits of coordinated regional growth, supporters of consolidated metropolitan governments usually suggest that economies of scale in the production and distribution of public goods are available to larger government units.[3] These efficiencies lower the cost of government while providing the types of uniform governmental services that should appeal to businesses when making locating and operating decisions.

The issue of metropolitan governance is of particular interest to the Midwest. Central cities in the region have been experiencing population declines. Recent economic and population growth in metropolitan areas has been achieved largely by the spread of activity into more distant suburbs, resulting in a pattern of uncoordinated land use. Such development is occurring in metropolitan areas across the nation, but it is more noticeable in the industrial cities of the Midwest, where central cities historically had high densities of both economic activity and population. While newer metropolitan areas can be designed to accommodate the infrastructure that is needed to promote commerce, midwestern cities are often left with an aging infrastructure that was designed to support the commerce of the early 1900s, not that of the 1990s. Given this disadvantage, promoting a healthy and integrated region is arguably more critical to the Midwest than to other regions.

The Midwest is an appropriate arena in which to examine the issue of metropolitan governance, for it is home to some of the most

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extreme examples of both consolidated and fragmented government in the nation. From the relatively tightly knit structure of Unigov in Indianapolis to the highly fragmented structure of overlapping governments in Chicago, the full range of government types is available.

This article will address the question of whether there are advantages to changing some aspects of metropolitan governance. It will further assess some midwestern experiments in metropolitan government.

How have metropolitan areas in the Midwest changed?

Population movement in the early 1900s tended to be from rural areas to the central city. Today, population is still moving from rural areas to metropolitan areas, but at the same time, the population within metropolitan areas is spreading out of the central city into the surrounding suburbs and outskirts. Thus in many midwestern cities, while metropolitan population has grown, the population of the central urban areas has declined (see table 1). This is the most significant dynamic influencing midwestern metropolitan areas.[4]

The spread of population out of the center city is not a bad thing in itself. Some would argue that the high population density in the city helped create pollution, overcrowding, and a variety of problems associated with congestion. Some support for lower population density can be drawn from the fact that density in the fastest growing Sun Belt cities is significantly lower than in "sister" midwestern cities. This fact is sometimes interpreted to indicate that lower density is better suited to promoting growth in the current economy (see figure 1). One urban analyst, David Rusk, has even suggested that modern cities appear to have difficulty growing economically once their population density exceeds 5,000 people per square mile.[5] This is at least partially due to Americans' apparent preference for living in lower-density communities.

The economic conditions that once favored the development of high-density central cities have moderated for several reasons. First of all, many midwestern cities grew because they were close to a natural resource that gave them a comparative advantage over other locations. Often this was a river or other body of water on which commerce could be transported. This economic advantage created others that encouraged the clustering of the labor force in the city.[6] Today economic activity is more often associated with concentrations of capital and human skills than with natural resource endowments. Since both capital and labor are significantly more footloose than natural resources, this has weakened the comparative advantage that cities derived from their natural resources. Accordingly, growth no longer needs to concentrate at a central place. Instead, it has become multimodal, with pockets of economic activity emerging throughout a metropolitan region, in proximity to each other but spread over a larger area. In the process the boundaries between urban, suburban, and rural areas have become blurred, and the entire metropolitan region has become more economically homogeneous.

Not all aspects of this deconcentration are benign, and numerous analysts have questioned whether it represents a new pattern of rational economic growth or simply unregulated sprawl.[7] While the forces leading metropolitan areas to spread out may reflect the natural demands of the economy, the response of local governments in dealing with the trend may be producing new problems. Anthony Downs argues that as development has moved out of the cities, individual towns have adopted policies that protect their interests but create a patchwork of regulations that ultimately harm region-wide development prospects.[8] Initially

TABLE 1

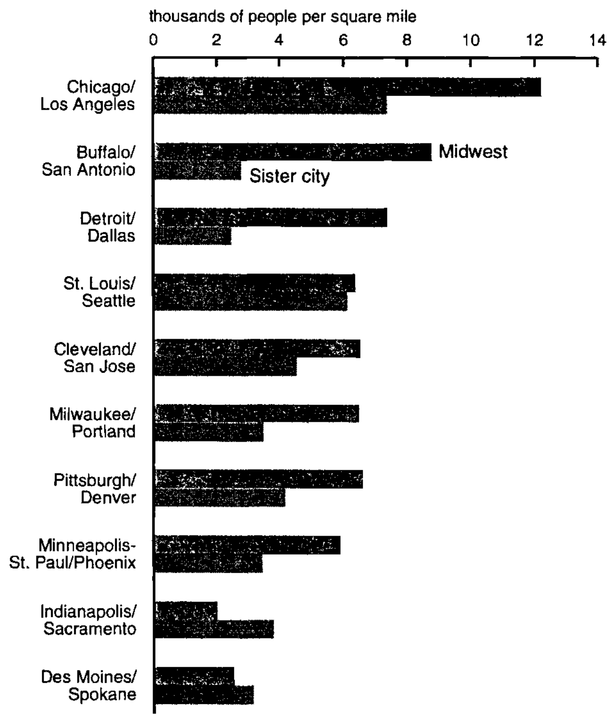
Population growth, 1950–90

	Percent change
Chicago metropolitan	35
Chicago city	–23
Cleveland metropolitan	19
Cleveland city	–45
Columbus metropolitan	89
Columbus city	68
Detroit metropolitan	35
Detroit city	–44
Indianapolis metropolitan	72
Indianapolis city	71
Milwaukee metropolitan	41
Milwaukee city	–1

Sources: For Chicago, author's calculations. For other cities, Rusk (1993).

FIGURE 1

Population density, 1990



Note: Cities were paired that had similar census populations in 1990. Densities are for the city proper, not the metropolitan area.

towns often pursue new commercial development at virtually any cost, using tax breaks and land write-downs as incentives. Little attention is paid to the increased congestion and pollution that may spill over into surrounding communities, which may lack the infrastructure to support these new burdens. Since the property tax advantages of commercial development are limited to the town in which the development occurs, adjacent communities are often forced to accommodate the development without any greater fiscal resources. Once residents decide that additional growth is not desired, towns may move to the next stage of this process, instituting growth-management policies to force development elsewhere or to regulate closely the type of development that can occur.

A second issue: Optimal government size

Even if the potential harmful effects of urban sprawl were not a consideration, metropolitan governance may be warranted on the grounds of optimal government size. The efficiency with which government provides its services is receiving growing attention, as efficient firms need efficient government to help (or at least not hinder) their performance in the world economy.

A substantial body of research since the 1920s has examined whether larger consolidated governments are more efficient in producing services than smaller, more fragmented units. Bish and Nourse (1975) summarize the assumptions in favor of a single consolidated government across three dimensions. First, a metropolitan area is actually a single community linked by a shared economy but artificially divided by fragmented government jurisdictions. Second, the metropolitan-wide needs of citizens and businesses cannot be met by this fragmented governmental structure. Third, the elimination of fragmented jurisdictions will eliminate duplication and overlap among governmental units in favor of a single metropolitan government that can more efficiently provide public goods and services at greater economies of scale.[9] As the authors point out, evidence as to whether this last assumption is true has been contradictory.

In an attempt to identify the optimal size of government, economists have tried to estimate the spillover effects and the scale economies that are produced when a central government provides a uniform service across a metropolitan region.[10] If positive spillovers and significant scale economies exist, centralized provision of services may be warranted. In general, this appears to be the case most often with government services that are well-suited to technical solutions. For example, water, sewage disposal, and electric services appear to be most efficiently provided by a centralized metropolitan-wide government. Supporters of such government also argue that mass transit, transit planning, and even land use planning also appear to benefit from central provision. Services that tend to be poorly provided by centralized governments are many social services such as education and welfare. Moreover, localities may prefer to decide for themselves what levels of these services to provide.[11]

Economists in general have been careful not to overstate the potential benefits of having governmental services provided by single, metropolitan-wide governments. Much of the criticism of such government rests on the work of Tiebout (1956), who suggested that consumers are best served when they are free to move and can choose communities that provide their desired level of public services. The resulting competition among communities not only allows individual towns to provide their own unique set of services, but also should in principle control the size of government.

This view is supported by Eberts and Gronberg (1988), who found a statistically significant relationship between the number of general-purpose governments at the metropolitan and county level and their size as measured by the share of personal income devoted to local governmental expenditures. The more general-purpose governments there are, the smaller the share of personal income required to support local government. While this finding supports the idea that decentralized government promotes fiscal competition and holds down the cost of government, it does not indicate whether such governments can provide better-quality services than more centralized governments. Not surprisingly, this uncertainty has led to the policy prescription that a hybrid approach to providing governmental services works best. Rather than uniformly supporting either a centralized or a fragmented government structure, this prescription argues that one should consider the nature of the service and assign its provision to the appropriate level of government.

Can centralized metropolitan governance help with sprawl?

Whether a more centralized model of governance could alter the current pattern of metropolitan deconcentration really depends on which forces are causing the population to spread out.[12] If deconcentration is occurring because more efficient production and lower transportation costs are available outside the central city, then policies to reverse deconcentration may simply promote inefficiency. If, however, it is due to negative externalities associated with the city such as social problems, then deconcentration may indicate an inefficient distribution of available resources.

TABLE 2

Correlations: Central city with metropolitan area and suburbs

	Metropolitan area	All suburban counties[a]	Counties with no central cities	Counties with central cities
Population growth				
1960–70	0.609	–0.188	–0.041	–0.322
1970–80	0.729	0.261	0.233	0.317
1980–90	0.709	0.273	0.239	0.401
Real per capita income growth				
1960–70	0.815	0.456	0.398	0.503
1970–80	0.872	0.552	0.479	0.686
1980–90	0.835	0.605	0.603	0.599
Average real house value growth[b]				
1970–80	0.906	0.525	0.480	0.706
1980–90	0.939	0.849	0.820	0.877
Number of observations	281	656	391	265

[a]Includes all parts of the county except the central city.

[b]City and suburban average house value correlations have fewer observations; reading across, the numbers of observations for the 1970s are 224, 569, 359, and 210; for the 1980s they are 279, 651, 388, and 263.

Source: Voith (1993).

In this latter case, deconcentration may not reflect some optimal reconfiguration of regional resources, but rather, a type of sorting process in which people and firms relocate to areas that serve their individual needs but do not necessarily promote the interests of the region. Anecdotal evidence about the growing pains associated with suburban growth suggests that deconcentration is at least partially being driven more by "flight from blight" than from some optimal reconfiguring of resources to maximize efficiency in the regional economy.[13]

However, a frequent criticism of efforts to introduce metropolitan governance is that they are thinly disguised attempts to force development back into the central city. Those analysts who believe metropolitan deconcentration will improve regional economic efficiency suggest that central cities may be an anachronism, and that the increasing preference of firms for suburban locations can result in healthy suburbs able to function without a healthy central city. In the Midwest, Detroit is often presented as an example of such a scenario. On the surface, it appears that the suburbs surrounding Detroit have continued to flourish despite the sharp decline of the central city. Those suburbs may have absorbed the industries that have left the city, in which case economic activity has not left the area but simply has redistributed itself. Since commercial development usually benefits the community in which it is located,[14] it is not clear that suburban communities would embrace a new form of governance that was expected to channel commercial development back into the urban area. If they did so, they would surrender the tax benefits they would receive if they captured the development themselves. However, evidence suggests that healthy suburbs need healthy cities in order to grow.[15] Furthermore, anecdotal evidence suggests that many of the healthiest metropolitan areas rely more heavily on various forms of regional governance.

Establishing a structure to promote regional problem-solving and consensus-building has become more important as cities and their suburbs appear to have become more interdependent in important ways. A variety of research has found links between the health of central cities and the development prospects of the suburbs.[16] Gains in city and suburban populations, per capita income, and housing values are positively correlated, and these relationships have strengthened every decade since 1960 (see table 2).[17] Such positive relationships suggest that population, income, and housing values in the suburbs are related to (or at the very least not independent of) the vitality of the central city. However, one must interpret such correlations carefully. Rather than reflecting greater interdependence between city and suburbs, they may simply indicate that as economic activity has moved to the suburbs, suburban economies have begun to resemble city economies and now react to external forces in the same manner as their city counterparts.

While much of this research is still quite new, it has yielded two interesting findings. First, the age of the city matters when it comes to growth prospects. Second, the period over which deconcentration is examined matters when it comes to measuring whether suburbs can flourish without a healthy central city. Norton (1979) found that U.S. cities that developed before 1920 have faced significantly different economic prospects than cities developed after 1920. The pre-1920 or "old" cities are characterized as being largely landlocked, constructed before automobile transportation was the dominant form of transportation, and having high population densities. The younger, post-1920 cities have lower population densities, tend to have fewer spatial restrictions, and have grown through active annexation of surrounding areas. Norton examined the trends in population, density, age of housing stock, and the ratio of household incomes of city dwellers versus suburbanites from 1950 to 1975 in order to assess how the age of a city influenced growth. The "old" cities in the sample, which had large percentages of housing stock built before 1939, shrank during this era; the young cities grew. Norton's sample included four midwestern cities—Chicago and Detroit labeled old, Indianapolis labeled young, and Milwaukee somewhere in-between and labeled anomalous. If the variables Norton examined are updated to 1990 for these cities, the pattern remains much the same except in Milwaukee, which now appears to behave more like the old cities than the new (see table 3).

Initial decline in the central city may not seem to set off any alarm bells, but over time, it will affect the suburbs as well. Scholars of metropolitan development have suggested that

TABLE 3

Differences between "old" and "young" midwestern cities

A. 1975

		Population change, 1950-75	Population density	Pre-1939 housing	Ratio of household income, city/SMSA ring
		(percent)	*(000s per sq. mile)*	*(percent)*	
OLD	Chicago	–14	15.1	67	73
	Detroit	–28	11.0	62	82
ANOMALOUS	Milwaukee	4	7.6	55	73
YOUNG	Indianapolis	67	1.9	40	107

B. 1990

		Population change, 1970-90	Population density	Pre-1939 housing	Ratio of per capita income, city/suburb, 1989
		(percent)	*(000s per sq. mile)*	*(percent)*	
OLD	Chicago	–12.7	8.9	45	66
	Detroit	–21.4	4.2	36	53
ANOMALOUS	Milwaukee	–4.5	6	38	62
YOUNG	Indianapolis	–1.6	2	19	90

Sources: For 1975 data, Norton (1979). For 1990 data, author's calculations.

it passes through six stages, as illustrated in table 4.[18] According to Rothblatt, the majority of U.S. cities are operating at stage 5, "absolute decentralization."[19] In this stage, the central city's population is shrinking, the metropolitan area's population is growing, and the perceived characteristics of the metropolitan area (such as tax burden, infrastructure, or congestion) are seen as worsening. If the process moves to the next stage, the decline of these characteristics will accelerate. Rothblatt points out that the consequences of this evolution are particularly worrisome in an increasingly global economy, in which firms have more choice in location and can leave declining areas. As urban markets expand and become more competitive, firms must be efficient in order to survive. This in turn requires well-managed and supportive metropolitan areas. If deconcentration leads to metropolitan diseconomies such as traffic congestion and higher housing prices, firms will begin to seek other locations. Initially these may only be farther-outlying suburbs, but as diseconomies spread throughout the metropolitan area, economic activity will begin to leave the area altogether.

Such a scenario makes clear that the problems and growth prospects of metropolitan areas have become more interdependent. It also makes clear the importance of establishing regional mechanisms to promote regional consensus-building and problem-solving.

TABLE 4

Metropolitan development and population change

Stage	Core	Ring	Metropolitan area
1. Centralization	+	–	+
2. Absolute centralization	++	+	++
3. Relative centralization	+	++	+
4. Relative decentralization	–	+	+
5. Absolute decentralization	–	+	–
6. Decentralization	–	–	–

Souce: Rothblatt (1993).

Is there a better way?

Developing a better structure for governing metropolitan growth has long been of interest to planners and academics. Voters and politicians, however, have viewed such proposals with suspicion, envisioning an additional layer of government that would only duplicate existing governmental functions without providing any clear benefits. In addition, local governments are unlikely to want to cede powers to a new level of government.

Nevertheless, some notable examples of metropolitan governance allow us to assess its potential benefits. In the Midwest, these include the Metropolitan Council of Minneapolis/St. Paul, Unigov in Indianapolis, and the Allegheny Regional Asset District in Pittsburgh. None of these has been as ambitious or as successful in many ways as large-scale efforts such as Toronto's.[20] In most cases, metropolitan governments have been established to fill planning gaps between other existing levels of government. These governments are not designed to function in any comprehensive fashion. As such, they provide limited examples of the potential for metropolitan governance rather than serving as ready-made models to be implemented elsewhere.

Minneapolis-St. Paul

Metropolitan governance has a longer history in the Twin Cities than in virtually any other U.S. city. As early as 1957, the Metropolitan Planning Commission (MPC) was established to coordinate issues of regional growth.[21] However, this was a voluntary council of governments that proved largely ineffective in managing growth. While the MPC was well equipped to study the nature of growth problems and to suggest potential solutions, it could not enforce any of its suggestions. Once this became apparent, the MPC was supplanted by the Metropolitan Council of the Twin Cities in 1967. The council has been credited with notable successes, but significant obstacles still prevent it from operating as a fully developed regional policymaker.

The Metropolitan Council covers seven counties in the metropolitan area containing roughly 272 governments: 7 county, 138 city, 50 township, 49 school district, 6 metropolitan, and 22 special purpose districts. Probably none of these governments has a significant interest in reducing its own authority. Accordingly, the role of the council from the beginning was to fill the gaps, handling issues that other governments were unwilling or unable to manage. Its charge was to coordinate planning, particularly in the area of physical infrastructure.

The council's structure has several unique aspects. First, although its interactions are with local and county governments, it was created by the state legislature, to which it reports. This suggests that the council's primary audience may be state rather than local government, although over time, local considerations appear to have become more influential in the council's deliberations. Second, all 17 council members are appointed by the governor, with some input from legislators from the metropolitan area's districts. Being appointed may help protect council members from feeling particularly beholden to parochial interests, since they are not forced to respond to a local constituency. On the other hand, it reduces the leverage of the council members, since they lack broad-based public support and are rarely well known within the metropolitan area. Third, by design the council has very little operating authority. While it oversees and approves the budgets of some smaller regional operating authorities, its main charge is to review and plan for long-range expenditures in the region. The council has proven to be reasonably effective in carrying out this charge in the area of physical infrastructure. Critics have suggested that the council has been less effective in social policy; its efforts in health care and education have so far been largely unsuccessful.

Two widely acknowledged partial successes for the council were its 1973 Metropolitan Development Guide and its successful tax-base sharing program. The former was an ambitious state-mandated plan to rationalize growth within the region in order to prevent urban sprawl. Its major goal was to stop development from leapfrogging into rural locations, directing it instead to the central city and the already heavily developed first-ring suburbs with existing infrastructure. In addition to this primary goal, the plan had subsidiary goals of preserving the natural environment, expanding people's social choices, lowering the concentration of minorities in the central city, and diversifying the sources of regional economic growth. Two other objectives were to increase the equitability of financing for public services and increase citizen involvement in regional governance.

Assessments of the council's efforts to channel development have been mixed. Clearly, the Twin Cities shifted some development into the central city during the mid-1970s and 1980s. Commercial construction in the city remained strong, and the economic prominence of Minneapolis-St. Paul was enhanced. The central city did lose population during this period, particularly in comparison to the outer-ring suburbs. But there is some evidence that growth was channeled into the first-ring suburbs, which suggests that the council's efforts were at least partly successful. Population density in the close-in suburbs rose, perhaps because in-fill development appeared more attractive. While population growth accelerated in the outlying suburbs, commercial development did not leapfrog in the usual pattern. Enforcing this containment were limitations on sewer and water extensions onto working farmland.

The plan's success was limited in another way as well. While development within the designated planning area was influenced, uncontrolled development continued in the fringe area just outside the five districts under the council's jurisdiction. Since the plan did not allow the districts to annex the surrounding areas, growth on the fringe went largely unchecked.

A second major effort of the council that has met with some success is mandated tax-base sharing. In 1974, Minnesota's Fiscal Disparities Act was passed with the goal of reducing the disparities in the tax base between towns caused by the concentration of commercial activity. Proponents of the act argued that towns that attracted commercial activity received significant tax benefits, while neighboring areas had to deal with the spillover effects without receiving any tax benefit. Using 1971 as the base year, the law stipulated that 40 percent of the net gain in new commercial and industrial development would be dedicated to a tax-base-sharing pool that would channel money to communities unable to attract commercial development. Allocations would be based on a formula that took into account population growth and the fiscal capacity of each town. With this plan, the ratio between the highest and lowest commercial and industrial tax base per capita in 1991 was 4 to 1; without the plan, it would have been 22 to 1.[22] The primary beneficiaries of this plan have been fast-growing residential areas lacking commercial development. Ironically, because of the concentration of commercial construction downtown, the central city has ended up a net contributor.

Many analysts have rated the Metropolitan Council as at least a partial success. It has had a significant influence in planning infrastructure, ranging from development of the metropolitan airport to the siting of the Metrodome sports complex and the giant retail center, the Mall of America. However, because the council lacks enforcement power, its influence is largely limited to its powers of persuasion. Part of its success is attributed to the belief that the Twin Cities region appears to be more accepting of the notion that without a strong and vital central city, the region will be unable to compete for jobs and new industries. The region's alleged acceptance of this notion in turn appears due to two factors. First, it is the only significant metropolitan area within a 400-mile radius. This relative isolation means that no other place in the region is likely to be a significant draw for new economic activity. Second, intraregional options for economic growth are few. Growth in the region's agricultural industries appears limited, and the region's traditional mining activity has faded. Accordingly, the health of Minnesota's economy has become more heavily dependent on the success of the metropolitan Minneapolis-St. Paul area.

Perhaps another reason for the greater acceptance of metropolitan governance is cultural. The northern European population that was initially drawn to this area embraced cooperative ventures, with farming, dairy, electrification, and even housing co-ops relatively common. Some analysts have suggested that this has carried over into a greater acceptance of government structures drawing on broad networks of resources. A final reason for the success of the Twin Cities' regional governance may be the area's cultural homogeneity. Some evidence suggests that the more racially different the populations of the central city and the surrounding suburbs, the less likely the region is to embrace metropolitan governance, particularly when it perceives such governance as primarily a measure to help the central city at the suburbs' expense. As the Twin Cities' minority population stands at only 12 percent, this is the most homogeneous metropolitan area of the thirty largest in the country.[23]

These factors may have combined to make acceptance of metropolitan governance more likely in the Twin Cities region. However, even in this more friendly environment, such a structure is seen largely as filling gaps between other layers of government. Without enforcement powers and without the ability to annex new areas as the region grows, the future of the Metropolitan Council is still unclear. It has yet to demonstrate that it can successfully address social infrastructure problems. As with most governments, once its role is defined, it may have difficulty reinventing itself.

Indianapolis and Unigov

Another Midwest experiment in regional governance is Unigov in Indianapolis. In the late 1960s, Indianapolis Mayor Richard Lugar established the Governmental Reorganization Task Force to investigate the potential for creating a unified county-city governance structure for Indianapolis and the surrounding municipalities in Marion County. The original goal was not a single body responsible for all governmental functions in the area, but only a unified legislative body—the City-County Council, with the mayor of Indianapolis as its Chair.[24]

Initial support for Unigov was not overwhelming. Many city constituents, particularly black residents, saw it as an attempt to dilute their political influence. Although minorities were a growing segment of the city's population, Unigov would add 113,000 mostly white suburban residents to the electorate that would then total 406,000 voters. These numbers would swing the city-county elections to the Republicans. Proponents of Unigov recognized that support for the new consolidated structure might not run deep and chose not to seek a voter referendum to approve it. Instead, Unigov was ultimately approved only by the Indiana legislature. Unigov's proponents brought a voluntary lawsuit against themselves in order to ratify the legitimacy of the new structure and forestall potential court challenges.[25]

Marion County still contains 50 separate local governments and 100 taxing units. But the Unigov legislation created Indiana's only consolidated city, with geographic boundaries that roughly equate to those of Marion County. The boundaries of Indianapolis expanded from 82 to 402 square miles, its population from 480,000 to 740,000. The legislative body responsible for governing the area is the 29-member City-County Council elected to four-year terms, 25 from single districts, 4 at large. The mayor is the executive of the consolidated city and is elected city-wide.

The consolidated city has six administrative departments below the mayor's office: Administration, Metropolitan Development, Parks and Recreation, Public Safety, Public Works and Transportation, and Public Health. Housed in the executive branch, these departments provide county-wide services that had previously been performed by 16 independent special-purpose corporations. Six independent municipal corporations remain outside the consolidated city's direct control. These corporations tend to be single-function governments (the Health and Hospital Corporation, the Airport Authority, the Public Transit Authority, and the Public Library), but they also include the more broadly chartered Capital Improvement Board and the City-County Building Authority. Even though these remain independent corporations, the City-County Council has been given the power to review their budgets and appoint governing members to their boards.

Other notable government units not contained in Unigov include the Marion County government, which still exists in a diminished form, and the county court system. In addition, when Unigov was created, four municipalities received "excluded cities" status and retained their own government structures. Another 17 municipalities received the ambiguous designation of "included towns," which meant that while they maintained their own local government, they could vote in the county-city elections because they paid taxes and received certain consolidated city services. Finally, independent school districts were left out of the Unigov structure. The disadvantage of this structure is that it makes for a patchwork in terms of the geographic area and way in which services are provided.[26]

Despite this somewhat awkward framework, Unigov has provided revenue benefits to the consolidated city and has permitted revenue diversification that probably would not have occurred otherwise. Some of this diversification has been forced on the consolidated city by actions of the state and federal government, but the enlarged scope of the city has enabled greater flexibility in dealing with changes in revenue structure. For example, in 1973 the state legislature passed a property-tax reform measure designed to limit the growth in the property-tax rate. Towns were compensated through a state property-tax replacement fund, whose revenues were derived from an increase in the sales tax. Since this measure put a limit on future growth in the property tax, the search for alternative revenues became increasingly important. Similarly, the decline in federal support, particularly block grants, made local revenue-raising more important. Unigov helped expand the fiscal base of the city and allowed the passage of new revenue-raising options that have not made the central city prohibitively more expensive (from a tax perspective) than adjacent communities. A county option income tax was adopted in 1983; a 10 percent county excise tax on automobiles and a wheel tax on trucks were also adopted. Fees and charges on sewers, solid waste collection, building permits, and other services have also been adopted, but since these are county-wide, they do not unduly distort the city's tax base relative to other communities.

Similarly, Indianapolis has pursued the usual array of tax incentives to attract and retain businesses in the area, but because it can draw on the larger tax base of the consolidated city, the cost of the incentives to the individual town is reduced. In turn, the benefits of added economic development can be shared county-wide. The city-county government has also used its powers of eminent domain to rationalize economic development by assembling appropriate parcels of land for development.

While these measures have helped with both economic growth and revenue-raising, they have not eliminated disparities in property tax rates between counties. In 1992 there were 60 applicable property tax levies and 63 defined taxing jurisdictions within Marion County. Nominal property tax rates ranged from $7.92 to $13.09 per $100 assessed valuation. This variation is because certain services are still supported only by the local tax base, not that of the consolidated city. In the community with the highest tax rate (Center Township in downtown Indianapolis), public assistance needs run high and are supported exclusively by property taxes imposed on Center Township properties.

Finally, one fiscal advantage that Unigov has provided is the ability to borrow money. The expansion of the city's boundaries to include the surrounding suburbs has made it easier to finance large-scale capital projects, since the expanded tax base can support them. It has also arguably lowered debt costs, since the increased flexibility provided by the larger and more diverse tax base has led bond rating agencies to give Indianapolis consistently high debt ratings.[27]

Allegheny Regional Asset District

One of the most recent attempts at regional government is the Pittsburgh-area Allegheny Regional Asset District.[28] Established in 1994, this governmental body was designed by the County Commissioners to address five policy objectives: improving and stabilizing funding for regional assets, correcting funding inequities for Pittsburgh, relieving overreliance on selected taxes (particularly property taxes), reducing fiscal disparities between rich and poor communities, and enhancing regional cooperation. The district has no direct taxing authority but receives 50 percent of the proceeds from the 1 percent county-wide local option sales tax. It uses these funds to support so-called regional crown jewels—amenities located in Allegheny County that benefit all residents.

In 1995, 30 percent of the district's funds went to parks and 32 percent to libraries. Other recipients were sports venues, cultural entities, and special facilities such as zoos. Many of these regional assets are in the city of Pittsburgh and have a recent history of financial distress. City resources for funding them have become strained as the central city's growth has lagged that of the suburbs. This left Pittsburgh in an awkward position. While it was still the heart of the region's economy, it was having to fund amenities that no longer primarily benefited city residents. For example, the city zoo was funded primarily by the city before the district was created, although 75 percent to 85 percent of the visitors to the zoo lived outside the city limits. The creation of the district has saved the city approximately $16 million in annual expenditures on this and other crown jewels.

The county government and 128 municipal governments spend the remaining 50 percent of the sales tax proceeds on the other policy objectives endorsed by the County Commissioners. Allegheny County uses its 25 percent of the total sales tax revenues to reduce property taxes by 25 percent and to eliminate the county-wide personal property tax. The remaining funds are distributed to municipalities on a formula basis that recognizes municipal need. The local governments are required to use two-thirds of the revenue to reduce local taxes. Specifically, Pittsburgh is required to use all of its sales tax revenues to eliminate the city's portion of the personal property tax and to cut the city's admissions tax for sports and entertainment events from 10 percent to 5 percent.

The district is run by a seven-member citizen board. Board members may not be public employees, elected officials, or relatives of elected officials. Four members of the board are appointed by the County Commissioners and two by the mayor of Pittsburgh; the seventh member is chosen by the other six from a list of nominees provided by regional agencies within the area. The governor is also allowed to appoint an eighth non-voting member. Board members decide which regional assets are eligible for funding. Although a few assets are specifically excluded (schools, health care facilities, and parks of less than 200 acres), virtually anything else can qualify. Funding is provided only if six of the seven board members approve.

It is too soon to assess the success of the Allegheny County effort, but as a new experiment in regional government, this method of supporting regional assets will receive a great deal of attention in the future. The concept of identifying and supporting assets that benefit the entire region and enhance its image as a good place to live and work is intuitively appealing. Thanks to a regional funding structure, the area's crown jewels can be maintained even if they are located in places whose tax base can no longer provide the support they require. Finally, the regional governance structure may foster a more coordinated strategy for promoting the benefits of the region, rather than those of individual towns. By supporting regional assets, this structure may lessen the friction between urban and suburban interests.

Conclusion: Why is metropolitan governance important now?

The purpose of creating a more cohesive metropolitan region is worth restating. Efficient firms cannot function for very long in inefficiently configured metropolitan regions. With efficiency and productivity considerations guiding the development of many firms, local barriers that prevent firms from improving their situation will certainly hurt the development prospects of most regions. Metropolitan governance, or at the very least a mechanism for recognizing regional goals for development, can help rationalize growth and help prevent the many problems that occur when each town charts a development course that provides only for its own interests.

Much of what metropolitan governance can do is related to better land use planning. Infrastructure and development plans can be coordinated to ensure that balanced development can occur and that commercial development is balanced with needed regional amenities such as parks and open spaces. Ultimately, the purpose of metropolitan governance is to promote a highly efficient metropolitan region that is properly configured to support growth in a more rational form. The characteristics of this metropolitan region would most likely include a governmental structure that promotes regional planning and problem-solving, high- or mixed-density bounded-growth communities surrounded by open space, and greenbelt areas related to mass transit facilities that move people to and from jobs and shopping centers. Finally, new jobs would be concentrated in defined employment clusters where employment growth could best be accommodated.

While the above characteristics are perhaps the ideal, simply recognizing the linkages within metropolitan regions would benefit midwestern cities as they attempt to reinvent themselves for the economy of the next century. Clearly the current pattern of economic growth does not appear sustainable.

NOTES

[1]See Mattoon (1993).

[2]Oakland and Testa (1995).

[3]For a discussion of issues concerning optimal government size, see Zax (1988). For a different perspective, see Eberts and Gronberg (1990).

[4]Szatan and Testa (1994) chronicle this dynamic.

[5]Rusk (1993), p. 14.

[6]Hansen (1974).

[7]See, for example, Downs (1994) or Rusk (1993).

[8]Downs (1994).

[9]Bish and Nourse (1975), p. 200.

[10]Oates (1977), p. 6.

[11]Bish and Nourse (1975), p. 201.

[12]Voith (1993), p. 3.

[13]For a discussion of "flight from blight," see Voith (1992).

[14]Oakland and Testa (1995).

[15]Savitch *et al.* (1993); Voith (1993).

[16]Voith (1992 and 1993), Van Der Veer (1994), and Savitch *et al.* (1993).

[17]Voith (1993), p. 2.

[18]Rothblatt (1993).

[19]Ibid.

[20]Metro Toronto was created in 1953 to fuse the city of Toronto and 12 of its suburbs into a metropolitan government. It has been widely hailed as a model of efficiency in land use and infrastructure development. For an evaluation of Metro Toronto, see Frisken (1993).

[21]The following description of Minneapolis-St. Paul's experience with metropolitan governance is based on Martin (1993).

[22]Smith (1994).

[23]Martin (1993), p. 207.

[24]Blomquest (1994a).

[25]Blomquest (1994c).

[26]Blomquest (1994b).

[27]Kirk (1994).

[28]Turner (1995).

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