

The background of the cover is a photograph of a tall building under construction. The building's steel framework is visible, and a large tower crane stands at the top. The sky is a solid, vibrant red. In the foreground, there are silhouettes of other buildings, including one with a prominent arched window on the left.

Institutional Constraints and Policy Choice

**AN EXPLORATION OF
LOCAL GOVERNANCE**

**James C. Clingermayer
and Richard C. Feiock**

INSTITUTIONAL CONSTRAINTS
AND POLICY CHOICE

SUNY series in Public Administration
Peter W. Colby, editor

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AND POLICY CHOICE

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Preface

Recent research on urban politics and policy often has given little attention to the role of government institutions. The structural features of local government, the legal constraints imposed by state governments, and the specific restrictions found in city charters are often given only fleeting notice in most scholarly writings in the field. Occasionally these institutional features are mentioned, but only as epiphenomenal results of the conflicts and processes that are “really” driving urban outcomes.

Our approach to understanding urban politics and policy making places institutional arrangements at the center of each analysis of each issue. This may appear to be a reductionist effort just as other work has reduced politics to a few overemphasized variables. That is not our intent. We do not claim that institutional arrangements are the only factors that matter, nor do we even contend that they are always the most important factors to consider. We merely claim that in an uncertain world, consistent trends in politics and policy making will be either caused by or represented by institutional regularities. Institutions themselves are the products of other forces (i.e., sets of preferences, economic or military power, and changes in technology or relative prices), but once created, they become a force with which other forces and actors must contend.

According to this view, institutions constitute the “rules of the game” for any political society. As such, they both shape and are shaped by human behavior. Most of the analysis of institutions in political science relies on rational-actor assumptions commonly employed by social choice theorists. This can be seen in research relying on reelection-seeking behavior within legislatures, principal-agent analysis of bureaucratic policy making, and transaction costs explanations of organizational form. We draw on that literature in studying local government institutions and policies, but we are also

eager to apply ideas on institutional analysis drawn from sociologists and cultural anthropologists.

Specifically, we argue that institutional arrangements such as electoral rules and constituency boundaries affect policy makers' behaviors by determining what sorts of voters they must please if they are to remain in office or rise to higher office. Formal powers of executives and limitations on the authority of city councils affect how influence is distributed within municipal government, which in turn may affect policy choices and patterns of citizen participation. These arguments are examined in chapters that account for the adoption of economic development policies and aspects of zoning ordinances.

In this book we also show how the characteristics of communities and the special nature of constituencies can explain the origins of institutional arrangements. In particular, we examine how socioeconomic and demographic factors as well as evidence of political turmoil affects how decision makers make policy choices regarding different modes of service delivery and different kinds of financing of local government projects.

In many respects, we are calling for a return to an old and respected tradition in urban politics research. In the early 1960s, scholars such as Gordon Black, Robert Salisbury, and others devoted a great deal of effort into examining the electoral implications of local institutions, such as nonpartisanship, ward representation, and constituency boundaries. Later, Robert Lineberry, Edmund Fowler, and—more recently—Susan Welch, Timothy Bledsoe, and Steven Maser have examined the political and policy implications of a number of institutions associated with the municipal reform movement. Bob Stein, Gary Miller, and Elinor and Vincent Ostrom have also contributed to our understanding of the role of institutional arrangements in service delivery. Unfortunately, these research traditions have not caught on with most urban scholars. Instead, the more prevalent traditions in urban research have been based on behavioral or class-conflict scholarship that pays little heed to institutional factors.

We are convinced that there are many in the social sciences who would be interested in a return to the tradition of institutional analysis of local governance. Many urbanists are dissatisfied with explanations now given to them and would be eager to see a theoretically motivated, yet substantively focused volume on how local government institutions actually work. There are many scholars who remember the research on form of government who would like a new look at this old issue. In addition, a number of political scientists are beginning to get interested in principal-agent theory and transaction cost economics, but would like to see applications to a substantive area of research of particular interest to them.

We think it worthy to note that the kind of institutional focus that we are advocating is increasingly acknowledged and appreciated by the academic community. One example of this is the fact that Douglass C. North received the 1993 Nobel prize in economics. Doug North has devoted the bulk of his career to explaining how economic institutions change throughout history and accounting for how institutional arrangements affect economic growth. His approach is largely of the same sort that we are following in this book.

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Acknowledgments

This book is the culmination of several years of work. We have profited from countless discussions with academic colleagues at Florida State, Texas A&M, and a number of other universities. We have presented our research and received valuable feedback at dozens of conference panels. We have had our arguments considered (often rejected but sometimes published) by many different peer-reviewed journals. Finally, we have had the culmination of our efforts evaluated by anonymous reviewers working on behalf of SUNY Press.

Though the process has been arduous and long, we believe that our work has benefited from the critical examination that it has gone through over the years. We hope that the finished book will continue to receive careful scrutiny and close examination. Perhaps the analysis of our research will provoke more and better work examining the role of institutions in local government and in public policymaking.

We owe intellectual debts to innumerable scholars, including friends and/or critics who have had an impact on our thinking that we have never quite realized or appreciated. But we most of all wish to acknowledge the help of our wives, Vicky Clingermayer and Ruth Storm Feiock, to whom this book is dedicated. Their love, support, and forbearance have been beyond description. Their commitment to a couple of insufferable academics such as ourselves is far beyond our limited power to explain.

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Chapter 1

Institutional Foundations of Local Governance

In 1931, a number of prominent businessmen in Dallas carefully orchestrated a successful campaign to replace the existing city charter with a new charter establishing a councilmanager form of government for Dallas. This group became known as the Citizen's Charter Association, and it remained active in Dallas civic and political affairs, along with another businessmen's group, the Dallas Citizen's Council. Through the new charter, and through their other efforts, the Dallas "business elite was instrumental in helping to create and maintain a political system in which those who held elected and appointed office did not have to be told what to do," according to Stephen Elkin. Instead, the government officials "would be drawn of their own volition to particular projects and to general ways of looking at the city that were compatible with the inclinations of business leaders. They were to act in ways that, if the members of the business elite had time and authority, they might be drawn to themselves" (Elkin 1987).

Almost thirty years later, an incorporation petition was circulated in northeastern Los Angeles County for a community that was to be called Industry. Despite the fact that the boundaries specified on the petition contained six square miles of land, the areas failed to contain five hundred inhabitants, the minimum number required by state law for incorporated communities. The sponsors then redrew the boundaries to include the 169 patients of a mental sanitarium. Once the thirty-one employees at the sanitarium were added to the total, the area contained a population of 629 inhabitants. The City of Industry was soon born, and no adjoining municipality could annex its land, which included some of the prime industrial properties in the metropolitan area. In 1961, Industry's per capita property tax assessment was \$41,865, compared to \$849 per capita in the neighboring City of La Puente (Miller 1981).

In September 1979, General Motors' chairman Thomas Murphy met with Michigan Governor William Milliken and Detroit's Mayor Coleman Young to discuss the deterioration of the American automobile industry and to invite these political leaders to help GM find a new site for any new assembly plants that might be constructed in the near future. Murphy's invitation may have been half-hearted, because it did not seem likely at the time that the state or the city could find an affordable site, with the appropriate design and location, and then help GM take title to the property during the time frame that Murphy had in mind. However, by April of the next year the Michigan legislature had changed the state law of eminent domain to permit a "quick-take" of property whereby a condemning authority could take title before compensation had been settled on with property owners. By July, the residents of an area that was to become a new Cadillac assembly plant were informed that their homes, businesses, and churches were to be destroyed (Jones and Bachelor 1986).

What is common to each of these controversies is the critical role played by the formal institutions and rules of government. The form of government authorized by municipal charter, the authority and ability to incorporate as a municipality, and the power of eminent domain were each used strategically by political actors to pursue their interests. These institutions were central to the outcomes. In some instances, the political actors involved are struggling among themselves to establish new and different institutions to govern their communities. In other instances, political and policy outcomes can be attributed to the presence of certain institutions that exist in some, but not all, communities. In either case, the institutional arrangements present or absent in the different communities are considered worth the struggle to change or maintain them over the opposition of other political actors who want to impose or retain their own sets of institutions. If citizens believe them to be worth fighting over, we believe they are worthy of study.

One difficulty with an institutional focus is that the term *institution* can take on several meanings. Substantial confusion exists between scholars who use the term *institution* to refer to an organizational entity such as a family, a business firm, political party, or a university, and scholars who use the term *institution* to refer to the formal and informal rules operating within or across organizations (Ostrom 1990). We adopt the latter use of the term. Douglass North has defined institutions as "the rules of the game in a society or, more formally, the humanly devised constraints that shape human interaction" (North 1990). Institutions encompass both formal rules such as the formal powers of office and also informal norms, roles, and operating practices that are so stable, structured, and accepted that they can be said to be "institutionalized" (Wolman 1995). While we place greater emphasis on rules than on roles, both formal rules and informal roles are important to the extent to which they structure political action.

Institutions serve several important functions in organizing local politics. First, institutional arrangements shape individual actions because they offer incentives to engage in certain behaviors and disincentives to behave in other ways. Second, by reducing uncertainty, institutions can provide premises for decision making and supply particular channels for information to travel through and among organizations. Third, institutions can provide stability in collective choices that otherwise would be chaotic. In short, they induce patterns within social phenomena that otherwise would appear meaningless.

THE NEW INSTITUTIONALISM

Increased attention to institutions has arisen in history, sociology, economics, and political science over the last few years (Goodin 1996). This “new institutionalism” is more than a resurrection of older institutionalist traditions. In political science, this approach has addressed questions regarding both legislative decision making and bureaucratic action. The first of these has focused on institutions as constraints that limit choices, predispose certain outcomes, and allow decision makers to overcome the intransitivity of majority voting. Institutional arrangements such as committee structures in legislative bodies or constitutional constraints on the actions of officials often produce a “structure-induced equilibrium” (Shepsle and Weingast 1987).

The second contribution of the new institutionalism has modeled bureaucratic institutions based on the economic theory of the firm and principal-agent analysis. Ensuring the wishes of principals are carried out by their agents depends on complex calculations of the comparative costs of internal monitoring of subordinate behavior and external monitoring of the quality of goods supplied by external providers. It is sometimes advantageous to reduce uncertainty and minimize transaction costs through institutional arrangements that “internalize” certain activities within an organization rather than contracting with external suppliers (Moe 1984; Weingast 1988).

THE ROLE OF INSTITUTIONS IN URBAN POLITICS THEORY

We believe that formal institutions are at the core of local governance and that any understanding of how and why local governments do what they do must include some appreciation of the constraints and incentives derived from institutions. Though few scholars today would question the general proposition that institutions matter, much of the contemporary research in urban politics and policy making has little role for institutional arrangements. Research explaining local government action often attributes particular outcomes to changing demographics, shortages in revenue, corporate power, hegemonic ideology, and a number of other factors. We are not arguing research in this

tradition is wrong, merely that it is incomplete by its omission of the role of institutions in structuring behavior. The internal political forces that are the focus of this work are certainly important for understanding the dynamics of local politics. Nevertheless, the path of these trends and internal forces, as well as their impacts on policy choices, may in large part be a product of the institutional constraints on local governments. These constraints characteristically have historical roots, as artifacts of past action and policy choices.

Somewhat ironically, thirty years ago the study of institutions held a prominent place in the study of urban politics. In the 1960s scholars such as Gordon Black, Robert H. Salisbury, and Edmund Fowler and Robert Lineberry devoted a great deal of effort to examining the electoral and policy implications of the institutions of the municipal reform movement. While the study of institutions has continued, the institutional perspective has played only a minor role in the behavioral and class-conflict scholarship that dominates contemporary study of urban politics. This is not to say that analysis of local institutions came to a halt.

Over the last two decades, several authors have added greatly to our knowledge. Susan Welch and Timothy Bledsoe have continued to investigate the implications of the institutions of the municipal reformers (Welch and Bledsoe 1988). In addition considerable attention has been given to the organization and fragmentation of jurisdictions in metropolitan areas (Miller 1981; Oakerson and Parks 1988; Parks and Oakerson 1989; Schneider 1989), and the various institutional arrangements employed in delivering city services (Stein 1990). But this work, first, is far out-numbered by urban research which downplays local government institutions; second, this work has tended to focus on a far-from-comprehensive set of local institutions and a fairly select set of public issues.

Even in the field of intergovernmental relations, where the formal legal relationship of one level of government to another is central, intergovernmental institutions have not played a prominent role in the literature. One notable exception is the recent work of Nancy Burns, which examines the effects state level constraints have on municipal incorporations and jurisdictional change (Burns 1994). In this book, we will show how institutionally focused analysis, informed by principal-agent theory, transaction costs economics, and rational-choice approaches to politics can provide a richer understanding of local politics and policy making.

WHY DO INSTITUTIONS MATTER?

First and foremost, institutions matter because they affect the behaviors of policy makers. One objective of this book is to examine how the constraints and incentives derived from institutions influence the choices and perfor-