

**The Politics of Inter-local Cooperation: Is Collaboration  
Efficiency-Enhancing or Stratification-Preserving?**

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### Abstract

In this paper, I focus on key factors that contribute to interlocal collaboration. The argument contrasts two different logics for the emergence of interlocal agreements: (1) that such cooperation results from efficiency-enhancing efforts of local officials seeking economies of scale in the production of capital-intensive goods; and (2) that interlocal cooperation might result from stratification-preserving efforts of local officials seeking to prevent the dilution of the voter groups on whom they rely for electoral support. These two logics derive respectively, though not exclusively, from the Tiebout tradition of focusing on the competition among local governmental jurisdictions for citizen-consumers as an efficiency-enhancing market-like mechanism; and from critiques of the Tiebout tradition in which fragmentation of local jurisdictions within metropolitan areas is typically viewed as a mechanism for preserving social stratification and inequality. I then describe a database that is in the process of being constructed for testing the two arguments. These data are drawn from the 2002 Census of Governments and the 2000 Census of Population. Tests of the two logics indicate substantial evidence for the efficiency-enhancing argument but not the stratification-preserving argument.

## The Politics of Inter-local Cooperation: Is Collaboration Efficiency-Enhancing or Stratification-Preserving?

### *I. Introduction*

Governance in America rarely involves just one overarching, hierarchical state. Instead, governance in America involves thousands of jurisdictions.<sup>1</sup> These jurisdictions frequently overlap, with areas of responsibility that are occasionally contested and often shared. Lines of authority often stretch down from the federal government to state and local governments: federal mandates, which typically take the form of threats to withhold federal funding are responsible for the fifty states adopting a drinking age of eighteen, as well as mandatory seatbelt laws, the No Child Left Behind school reform requirements, air quality emissions regulations over most urban areas, and much more. Lines of authority permeate upward and outward. Municipalities contract with counties or with overlying special districts to provide a host of services, often including transportation planning and construction, water storage and distribution, electricity generation, police services such as crime scene investigation and jailing. Counties often enter into service delivery arrangements that reach up, as well as down. These agreements frequently involve the allocation of responsibilities to regional authorities, municipalities, or even states for management of hospitals, public health activities, low-income housing, airports, harbors and ports, public lands and lakes, and more.<sup>2</sup> Indeed, one of the problems routinely faced by scholars of American federalism is arriving at adequate depictions of the empirical complexity of the relationships between and among governments in the United States. Metaphors involving cakes, fences, and other objects proliferate almost as fast as the intergovernmental arrangements they purport to depict.

The buzzing complexity of policy domains characterized by multiple, overlapping governments creates the potential for an enormous amount of political opportunity and advantage-seeking. Agreements among governments to acquire services from one another may spring from a variety of motivations. In this paper, I focus specifically on two different logics for the emergence of interlocal agreements. The two logics of interlocal cooperation that I elaborate are (1) the relatively familiar argument that such cooperation results from efficiency-enhancing efforts of local officials seeking economies of scale in the production of collective goods and services; and (2) that interlocal cooperation may result from stratification-preserving efforts of local officials seeking to prevent the dilution of the voter groups on whom they rely for electoral support. These two contrasting logics derive respectively, though not exclusively, from the Tiebout tradition of focusing on the competition among local governmental jurisdictions for

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<sup>1</sup> According to the 2007, U.S. Census of Governments, there were 89,527 government units in the United States at the time of the census. This included one national government, 50 state governments, 3033 county governments, 19,492 municipal governments, 16,519 townships, 13,051 independent school districts, and 37,381 special districts of one type or another.

<sup>2</sup> Oakerson, Ronald (1999). *Governing Local Public Economics: Creating the Civic Metropolis*, 2d ed. Oakland, CA: Institute for Contemporary Studies.

citizen-consumers as an efficiency-enhancing market-like mechanism; and from critiques of the Tiebout tradition in which fragmentation of local jurisdictions within metropolitan areas is typically viewed as a mechanism for preserving social stratification and inequality. Thus the key theoretical puzzle the paper tackles is how to identify and explain distinct patterns within these polycentric policy domains.<sup>3</sup>

The paper proceeds as follows. In the following section, I lay out two theories of interlocal collaboration. In section three, I describe the database that is used to test the two explanatory theories. In section four, I report the empirical analysis of the theories. Section five concludes the paper with a discussion of implications of the findings for a broader understanding of interlocal collaboration.

## ***2. Interlocal Collaboration***

To date, much of the theoretical work on the political calculus for interjurisdictional collaboration in grant seeking has focused on the role that externalities from federal outlays to House districts may play in influencing legislative behavior (Bickers and Stein, 2004). Shepsle and Weingast (1981) first identified the possibility that some costs and benefits associated with distributive spending programs might spillover to other districts and thus influence a legislator's support for proposals for spending on distributive policies. They raise the possibility that district outlays may have "spillover-like nonexpenditure costs and benefits for other districts" (1981:101). These spillovers can involve both economic benefits and economic costs. The latter are typically viewed as political benefits inasmuch as economic costs usually involve jobs for workers and contracts to firms located within the districts where the project is to be implemented, as well as in neighboring districts. Levitt and Snyder (1997) argue that previous studies of the electoral connection suffer from an omitted variable problem that leads to downwardly biased estimates of the impact of federal outlays on election outcomes.<sup>4</sup> Levitt and Snyder's posit the existence of significant spillovers of federal benefits across districts: "[O]ne representative's effort may lead to spillovers of additional federal dollars for other districts in the state" (1997:36). "[L]egislators might devote most of their effort to getting federal spending for the *state*, making it rational for voters to key on state level spending when judging their representative's performance" (1997:44).

The literature on governance at the metropolitan level contains an ongoing debate over the issue of capturing spillovers – both positive and negative – of policies delivered locally. One view, usually associated with the Tiebout (1956) body of research, holds that fragmentation allows households to sort themselves into jurisdictions based upon the sorts of preferences they may have over collective goods that are delivered by local governments. On this view, sorting of

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<sup>3</sup> Although they do not use the term polycentricity, this is major point of Pressman and Wildavsky's (1973) classic study of implementation.

<sup>4</sup> Levitt and Snyder argue that "one explanation for the failure to uncover the expected relationship between federal spending and election outcomes is that incumbents who expect to have difficulty being reelected are likely to exert greater effort in obtaining federal outlays. Since it is generally impossible to adequately measure this effort, the estimated impact of spending is biased downward because of an omitted variable bias" (1997:30).

households across jurisdictions is the functional equivalent of the purchasing behavior of consumers in markets for private goods, a process that when combined with the behavior of other consumers leads to efficient allocation of resources. In its original form, the Tiebout model (1956) expressly assumes the absence of spillovers. The assumption is that there are no diseconomies of scale in the production of local collective goods.

In a later paper by Ostrom, Warren, and Tiebout (1961), however, the basic Tiebout model is made more empirically rich through the elaboration of the concept of polycentricity. This concept rests on the premise that for some types of collective goods and services there are economies of scale that are sized differently than the scale of existing general purpose governments, as well as externalities that flow to people living outside of existing jurisdictions. Consequently, new governmental jurisdictions – many of which may take the form of special districts and regional authorities – may be created to better match the geographic scope of these economies of scale and to capture the externalities created in the production of particular goods or services. These may include such things as hospital districts, housing authorities, regional transportation entities, water and sewer districts, and more. The polycentricity argument holds, in sum, that fragmentation of governmental jurisdiction is not an insurmountable obstacle to the problem of spillovers, so long as barriers to the creation of governmental jurisdictions are sufficiently low that new authorities can emerge when required to more efficiently produce the collective goods and services consumed by residents in metropolitan areas. Indeed fragmentation may simply reflect prior institutional solutions to capture economies of scale of collective goods delivered in the past or present.

An alternative view holds that the most effective way to capture spillovers – thereby ensuring that both the benefits and costs of projects flow to residents living within a jurisdiction – is through the consolidation of local jurisdictions into large metro-wide governments. Fragmentation of metropolitan areas into numerous, relatively small jurisdictions, on this view, stands as a significant obstacle that inhibits the capture of spillovers (Hill, 1974; Neiman, 1976; Lowery, 1998). This thesis, sometimes called the Social Stratification and Governmental Inequality position (SSGI) asserts that fragmentation allows residents of one jurisdiction to enjoy the benefits of a project, while the negative externalities of the project fall on residents of other jurisdictions. Worse, given sorting of local populations into different jurisdictions on racial and economic grounds, fragmentation is likely to lead to benefits flowing to non-minority and economically upscale households, while negative externalities are likely to be exported to disproportionately minority and lower-income residents living in other jurisdictions (Burns, 1994).

The political implications of these two models are strikingly different. Consider two recent papers that take two different positions on the Tiebout-SSGI debate. Both papers lead to interesting, but divergent, hypotheses relating to interlocal cooperation. A paper by Stephanie Post (2004) argues that spillovers, both positive and negative, are more easily identified in the case of capital-intensive collective goods, compared to spillovers from labor-intensive collective goods. Her hypothesis is that interlocal agreements to realize beneficial spillovers and mitigate costly spillovers will be likely in the case of capital-intensive projects but less so in the case of labor-intensive projects. Findings from her data analysis corroborate the hypothesis. Significantly, she finds that fragmentation is not related to the incidence of inter-local

agreements, when jurisdictional density is included in the equation. She finds a very strong effect of the physical density of the jurisdiction, further buttressing her argument that spillovers (at least for capital-intensive projects) lead to inter-local agreements. One conclusion is that these interlocal agreements are efficiency-enhancing in a manner consistent with the Ostrom, Warren, and Tiebout (1961) thesis. Yet another possibility is present. Left out of the analysis is an exploration of whether interlocal agreements that emerge over capital-intensive goods exist primarily among suburban communities or are equally likely to exist between urban and suburban jurisdictions. That is, one cannot tell from her analysis if there are disparities in the likelihood of interlocal cooperation between urban jurisdictions that tend to have larger proportions of lower income and minority households and suburban jurisdictions that tend to have larger proportions of more affluent and white households.

Another recent paper tackles the question of the relationship between urban centers and suburban peripheries. This paper by Michael Crow (2006) also builds on the Tiebout tradition as extended by Peterson (1981). The issue Crow addresses is whether and under what circumstances local governments are able to spend own-source revenues on social welfare activities – activities that Post would code as labor-intensive. The Peterson extension of the Tiebout hypothesis suggests that local own-source spending on social welfare activities in equilibrium should fall to zero. This is because local jurisdictions will prefer to avoid expenditures that attract high demand households with little taxpaying capacity, while imposing increased fiscal burdens on households that are unlikely to benefit from the expenditures. Yet Crow shows empirically that a nontrivial proportion of total welfare spending in the United States is by local governments using own-source revenues. His explanation centers on the possibility that large urban jurisdictions may have monopoly power resulting from the diminished choices of residents to relocate to outlying jurisdictions. Smaller jurisdictions – urban as well as suburban – lack this sort of monopoly power because barriers to entry and exit are relatively low. Crow finds that the largest determinant of local own-source social welfare spending is intergovernmental transfers from higher levels of government. Such transfers reduce the price to local governments of social welfare provision. A smaller, but significant, contributor to local own-source social welfare spending is the size of a local jurisdiction relative to its neighbors, his measure of monopoly power.

Crow's paper, however, does not explore the possibility of interlocal transfers between local jurisdictions to underwrite the costs of social welfare by a given jurisdiction. Such a possibility is suggested by the logic of his argument. The driver for social welfare spending using local own-source revenues, he suggests, is a combination of voter groups that benefit from such expenditures, mainly low income and minority residents, and local politicians that rely on coalitions of these groups for electoral support. For similar reasons, politicians from adjacent jurisdictions might well decide that it would be in their common interest to keep low income voters concentrated in their current jurisdiction rather than dispersing them across jurisdictional boundaries. Movement of low income voters with preferences for collective goods into jurisdictions comprised largely of higher income voters with different preferences would lead to a dilution in voter support for politicians in both types of jurisdictions. As a consequence, one might imagine that interlocal cooperation might occur that would, in essence, reinforce social stratification. Put differently, politicians from jurisdictions with higher income voters might be willing to make side payments to adjacent jurisdictions in order to decrease the costs of

delivering social welfare benefits in those jurisdictions. Residents in those communities might be willing to tolerate such payments as long the per household costs of the payments are lower than the benefits to the household of maintaining the status quo in the mix of groups residing in the jurisdiction. At the same time, politicians in the jurisdictions with large low income populations might welcome such side payments even though to do so might attract more high demanders of social services and repel high income residents, on the grounds that coalitions of low income voters constitute the core of their electoral support.

Let us consider the implications of the Post and Craw papers for an analysis of interlocal cooperation. The Post paper suggests that interlocal cooperation might result from efficiency-enhancing efforts of local officials seeking economies of scale in the production of capital-intensive goods. An implication of the Craw paper is that interlocal cooperation might result from stratification-preserving efforts of local officials seeking to prevent the dilution of the voter groups on whom they rely for electoral support. Taken together, it is possible to construct a pair of contrasting political theories of interlocal cooperation. One theory would suggest that the incidence of interlocal cooperation is a function of officials seeking to realize economies of scale in the production of collective goods. The other theory would suggest that the incidence of interlocal cooperation is a function of officials seeking to preserve stratification through cross-subsidization of the costs of social welfare benefits.

Thus four possibilities exist. Either of the theories may be correct. Both may contain important kernels of truth, since the two theories are not necessarily mutually exclusive. Or both may be incorrect. These possibilities are embodied in the following hypotheses:

H1: Interlocal cooperation is *primarily efficiency-enhancing*, if the predominate form of aid transfers is for non-social welfare activities among jurisdictions that are similar with respect to economic and racial characteristics.

H2: Interlocal cooperation is *primarily stratification-preserving*, if the predominate form of aid transfers is for social welfare activities, with payments flowing from higher income to lower income jurisdictions.

H3: Interlocal cooperation may be *both efficiency-enhancing and stratification-preserving*, if aid transfers extends across non-social welfare activities and social welfare activities, such that payments for non-social welfare take place across jurisdictions with similar economic and racial characteristics and payments for social welfare activities flow from higher income to lower income jurisdictions.

H4: Interlocal cooperation may be *neither efficiency-enhancing nor stratification-enhancing*. This is the null hypothesis.

### **3. Database**

Data required to compare these two contrasting theories come from two sources: the 2002 Census of Governments, which contains financial information on payments by governments, including payments to other governments, for dozens of policy activities; and the decennial

Census of Population and Housing (conducted at the beginning of each decade). The level of analysis in the database is metropolitan areas in which there is one municipality that is empirically identifiable as an urban core city. The operational definition used here for identifying an urban core jurisdiction is a general purpose municipality within a metropolitan statistical area (MSA) that has a population equal to at least twice the population of municipalities at the third quartile of a municipal populations in the MSA (as of the 2000 census).<sup>5</sup> Of the 331 MSAs defined by the U.S. government in 2000, 235 meet the operational definition used here. These range from the primary MSA of which New York City is the anchor, with just under 9 million people, to relatively small metropolitan areas with a total population of just under 10 thousand people. The average population size of the metropolitan areas in the paper is just over half a million people; the median size is just over two hundred thousand. These populations are found in metropolitan areas with as few as five general purpose municipalities to as many as 293. The average number of municipalities in the sample is 26, with a median of 15.

The unit of analysis used here is a bit more complicated. For analytical purposes, I have divided each of the 235 metropolitan areas into two units: one unit is the core municipality that lies at the heart of the MSA; the other unit is a composite of all of the other municipalities that comprise the metropolitan area. This produces a data set with paired measures on each variable for the urban core and the set of all suburbs and exurbs in each metropolitan area. The paired measures include a number of demographic characteristics that are calculated using the 2000 Census of Population and Housing. For both the urban core and non-core municipalities, these measures include the population (logged), the percentage of African Americans, the percentage of Latinos, the percentage of people below the poverty line, the percentage of people with less than 9 years of formal education (among adults 25 years and older), and median household income. Table One shows means and medians of each of these variables for the 235 metropolitan areas, broken down by urban core municipalities and the non-core municipalities.

(Table One about here)

Key to this analysis is the measurement of fiscal flows across communities for social welfare and non-social welfare purposes. These data are drawn from the 2002 Census of Governments, Fiscal File. An appendix is attached to the paper showing the precise set of variables drawn from this source. For both social welfare and non-social welfare activities, I have calculated amounts (1) that are spent by local governments out of own-source revenues within the governmental jurisdiction, (2) that are transferred to other local governments for such

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<sup>5</sup> Other decision rules were contemplated (such as MSAs where one municipality was twice the average size or twice the median size of all the municipalities in the MSA or the municipality defined historically by the Census Bureau as the urban core). The decision rule adopted here is an empirical measure that captures those PMSAs where one municipality is significantly larger than virtually all other municipalities in the area, and eliminates PMSAs that are dominated by multiple cities that are more or less equally sized. In cases, where an MSA contains one or more Primary MSAs (essentially a node of municipalities within a larger complex of municipalities), I use the PMSA, rather than the government's definition of the overall Consolidated Metropolitan Statistical Area (CMSAs).

activities, and (3) that are financed via transfers from other local governments for those activities. Essentially, the variables for social welfare include all activities financed out of local government own-source revenues that are designed to directly benefit low income populations or that fall into the classic definition of a social welfare state, as might be found in Western Europe. These include payments to and for hospitals, both owned by the local government and by other entities; payments to vendors for medical care; other health services; housing and community development; the local portion of Federal Categorical Assistance Programs; other cash assistance payments for welfare; payments to vendors for other welfare related purposes; and payments to and for welfare institutions. Non-social welfare activities include all other activities financed and undertaken by local governments, with the exception of utilities, since there are so many different provision arrangements for utilities across states and even within metropolitan areas.

One complication in using the Census of Government information is that data on intergovernmental transfers are reported from the perspective of a given jurisdiction, but without specifying the particular jurisdictions from which the transfers are received or, in the case of outgoing transfers, the specific jurisdictions that are the recipients of that government's assistance. While there is no perfect solution that fixes this problem, the strategy adopted here is to track flows of funds for social welfare and non-social welfare activities to and from types of cities. Specifically, I have summed the flows of dollars across types of jurisdictions within each metropolitan area. I then calculated total dollar amounts for social welfare activities and non-social welfare activities that flow out of non-core cities. Likewise, I calculated total amounts flowing into core cities for social welfare and non-social welfare activities. Additionally, for both core cities and non-core cities, I calculated total amounts that are spent from their own-source revenues on social welfare and non-social welfare activities. Own-source allocations are used as control variables when focusing on interlocal financial arrangements. In all cases, these financial amounts are normalized to reflect per capita amounts. Construction of funding information in this way permits a comparison, for both social welfare and non-social welfare transfers, of the factors that explain outflows from non-core cities, relative to the factors that explain inflows to core cities.

#### ***4. Findings***

Analysis of the factors that may explain the pattern of inflows of revenues to core cities from other cities is reported in Table Two. Consider first the factors that correlate with financial transfers for social welfare activities into core cities. Four variables are correlated significantly with transfers for social welfare activities. Transfers to core cities are greater when poverty is higher in the core city, but also when poverty is higher in the surrounding non-core cities. This means that poverty-fighting dollars tend to be shared across jurisdictions regardless of the jurisdiction where the poverty happens to be located, contradicting what one might expect under the social stratification hypothesis. Transfers similarly increase when median household income is higher in core cities and when it is higher in the non-core cities, indicating that such transfers are more generous when there is a broader tax base, even when controlling for the extent of poverty.

But the non-correlations are as interesting as the correlations. There is no statistically significant correlation between race, ethnicity, or low levels of education and how much money

is transferred to core cities. Thus arguments that revolve around racial, ethnic, or educationally elitist attitudes fail to receive support in this analysis. Instead, the evidence regarding transfers for the purpose of underwriting social welfare activities suggests a simpler story about needs and resources.

(Table 2 about here)

Inflows of revenues to core cities for non-social welfare activities reveal some aspects of the story that are quite clear, while others are less so. The right-hand set of columns in Table Two show that the single most important variable in explaining how much money is transferred to core cities for activities other than social welfare is how much the core city itself spends on non-social welfare activities. The greater its own-source expenditures, the more that flows in from other cities for these activities. Specifically, the analysis indicates that for each one hundred dollars the core city spends on such activities, it receives an additional five dollars and sixty cents from other local jurisdictions. This is strong evidence for the efficiency-enhancing hypothesis: core cities that spend more on non-social welfare activities, many of which that are infrastructural in nature, receive payments from other cities for those same purposes, permitting them to undertake those activities on a larger scale. Also supportive of the efficiency-enhancing thesis is the direction and significance of the variable measuring core city population. The smaller the core city population, the greater the transfers to it for non-social welfare activities. This suggests that core cities that lack population have greater need to attract resources from other communities for the production of goods and services. Such pooling of resources is precisely what we would expect if communities are cooperating to achieve economies of scale.

Interestingly, and in contrast to transfers to core cities for social welfare activities, there does appear to be a race factor in transfers to these cities for non-social welfare activities, but not the one predicted by the social stratification hypothesis. The regression reported in Table Two indicates that the greater the percentage of African Americans in non-core cities, the greater the transfers to core cities for non-social welfare activities. Why there would be a connection between concentrations in non-core cities of African Americans and transfers to core cities for non-social welfare activities is a mystery. If anything, one might expect that communities whose populations are most alike would share resources in common policy areas. This is what we saw above in the analysis of transfers to core cities for social welfare activities: transfers to core cities for social welfare activities increased when poverty was greater across non-core and core cities. But, here, we see that the percentage of African Americans in core cities is unrelated to how much money flows into those cities for non-social welfare activities. Indeed, we have no expectation of a race effect that pertains only to the non-core communities. Either we would expect a race effect stemming from core cities or a race effect across all communities. We find neither.

(Table 3 about here)

The analysis to this point has focused on transfers into core cities. The flipside of the coin is the pattern of transfers from non-core cities to other cities. Regression results on transfers from non-core cities are reported in Table Three. The pattern for social welfare spending is quite interesting. The results support the efficiency-enhancing hypothesis and offer no support for the

social stratification hypothesis. Here, we see that outflows of resources from non-core cities for the purpose of social welfare respond positively to effort levels in both the core city and non-core cities on social welfare activities. Put differently, this suggests that the greater the spending on such activities anywhere in the metropolitan area, the greater the leveraging effect there is on transfers from cities on the periphery of the core city. Of the various demographic, ethnicity, and race variables, the only ones indicating significance are the two that measure population. There is a positive impact on outflows from non-core cities as the population of the non-core cities increases, suggesting that economies of scale free up resources that can be transferred to other communities. Population size in the core city has the opposite affect. The larger the population of the core city, the less is transferred, on a per-capita basis, from non-core cities for social welfare activities. The variables for race and ethnicity, as well as poverty, median income, and education tell an interesting non-story. These factors are unrelated to the pattern of transfers for social welfare from non-core cities. Social welfare transfers from non-core cities appear both color-blind and need-blind.

We see very similar patterns as above when looking at transfers from non-core cities for activities outside of social welfare. The basic drivers of transfers from non-core cities for this panoply of activities are levels of spending by both non-core cities and core cities on these same activities, as well as the populations of these cities. As for the ethnicity, race, poverty, median income, and education variables, we once again see that there isn't a story to tell. Such variables are unrelated to the pattern of transfers from non-core cities for non-social welfare activities. Instead, we see that, as spending increases for non-social welfare activities across all the various cities in a metropolitan area, the level of transfers across cities also increases. As with social welfare spending, there appears to be a significant leveraging effect. This suggests that transfers are a function of efficiency-enhancing calculations by actors within metropolitan areas.

Likewise, we see that population independently affects these transfers. Non-core cities with larger populations transfer more dollars (per-capita) to other cities. Metropolitan areas with larger core cities see lower levels of such transfers. We also see that the number of non-core cities has a negative affect on transfers across communities. This is consistent with an Olsonian (1965) expectation that as the number of actors in a group increases, so too does the incentive to free-ride on the contributions of others.

## ***5. Conclusions***

Interlocal cooperation is common in America. Own-source expenditures by cities flow into and out of core and non-core cities, across a multitude of service areas. What explains these resource flows? Tests of the two different logics of interlocal transfers suggest fairly consistent support for the efficiency-enhancing hypothesis as a likely driver of these transfers. No support was found for the stratification-preserving hypothesis.

With respect to social welfare transfers, the evidence suggests that there is no relationship to factors such as race, ethnicity, or low levels of education. Instead dollars for social welfare activities tend to be shared across jurisdictions regardless of the jurisdiction where the poverty happens to be disproportionately located, contradicting what one might expect under the social stratification hypothesis. Likewise such transfers are more generous when there is a broader tax

base, even when controlling for the extent of poverty in any particular jurisdiction. Transfers for non-social welfare activities similarly display no evidence of following a stratification-preserving logic. While race appears to be related to transfers for non-social welfare activities, it is not the relationship predicted by the social stratification hypothesis. Instead we find that transfers to core cities for non-social welfare activities increase as the percentage of African Americans in non-core cities increases. Supportive of the efficiency-enhancing thesis is the direction and significance of the variable measuring core city population. The smaller the population of the core city, the greater the transfers to it for non-social welfare activities. This suggests that core cities that lack population have greater need to attract resources from other communities for the production of goods and services. Such pooling of resources is precisely what we would expect if communities are cooperating to achieve economies of scale. Indeed we find that core cities that spend more on non-social welfare activities are recipients of higher levels of transfers from non-core cities for these activities. This permits the core cities to provide goods and services on a larger scale than would be the case if they were dependent solely on own-source revenues.

The absence of evidence that interlocal cooperation is used to maintain walls between communities is unambiguous. What is less clear is the dynamic by which efficiency-enhancing forms of interlocal cooperation originate and are maintained. Prior research suggests that cost-reducing strategies may be undertaken by entrepreneurial city managers because such measures enhance the manager's opportunities to later obtain a job in a larger city with a more lucrative compensation package (Clingermayer, Feiock, and Stream, 2003). Other research suggests that progressively ambitious elected officials may engage in interlocal cooperation as a means of building geographically broader political support for future electoral bids (Bickers, Stein, and Post, forthcoming). Maintenance of such agreements is subject to opportunistic behavior. Municipalities that have become dominant producers of a given good may seek to extract monopoly rents from the surrounding governments that have come to depend on those goods. For goods where there are multiple potential suppliers in a metropolitan area, a "purchasing" government may threaten to shift to a different "supplier" government, thereby disrupting the ability of the current supplier to realize economies of scale. The attractiveness of such opportunistic behaviors no doubt depends on the nature of the good at stake, in addition to the sets of incentives facing potential partners. The question, however, is how interlocal cooperation is institutionalized such that patterns of local governance are predictable and stable. This question is beyond the scope of the current paper.

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Table One: Descriptive Statistics -- Independent Variables

	Urban Core Mean	Non- Core Mean	Urban Core Median	Non- Core Median
Number of Municipalities	1	25	1	14
Population	260,636	286,551	103,725	90,274
White	67.3%	83.0%	69.3%	85.9%
Black	21.1%	8.4%	15.3%	3.9%
Latino/a	11.4%	8.9%	5.0%	3.0%
Poverty	17.8%	11.7%	17.4%	10.8%
Education less than 9 years	7.7%	7.0%	6.6%	5.7%
Median Household Income	\$34,688	\$41,475	\$34,194	\$40,405
n=235 metropolitan areas				

Table Two: Transfers to Core Cities from Other Cities

	Transfers to Core Cities for Social Welfare Activities			Transfers to Core Cities for Non-Social Welfare Activities		
	Coef.	t-ratio	Pr >  t	Coef.	t-ratio	Pr >  t
Constant	-12.215	-4.55	<.0001	-31.617	-0.32	0.751
Core own-source spending on social welfare activities (per capita)	0.000	-0.94	0.347			
Non-core own-source spending on social welfare activities (per capita)	-0.001	-0.42	0.675			
Core own-source spending on non-social welfare activities (per capita)				0.056	4.05	<.0001
Non-core own-source spending on non-social welfare activities (per capita)				0.023	1.02	0.310
Number of non-core cities (logged)	-0.263	-0.91	0.365	7.611	0.70	0.483
Non-core population	-0.032	-0.73	0.465	-0.530	-0.34	0.736
Non-core poverty (pct)	0.164	2.22	0.027	3.125	1.15	0.250
Non-core African American (pct)	-0.042	-1.46	0.145	2.078	1.94	0.053
Non-core Latino/Latina (pct)	-0.058	-1.48	0.142	-0.680	-0.48	0.634
Non-core education less than 9 yrs (pct)	0.009	0.10	0.921	2.416	0.71	0.476
Non-core median household income	0.973	2.07	0.040	21.695	1.25	0.212
Core population	0.004	0.13	0.897	-2.104	-1.68	0.094
Core poverty (pct)	0.116	1.96	0.051	-1.678	-0.77	0.440
Core African American (pct)	-0.001	-0.09	0.931	-0.508	-0.81	0.419
Core Latino/Latina (pct)	-0.006	-0.17	0.867	-1.077	-0.80	0.426
Core education less than 9 yrs (pct)	0.043	0.50	0.619	0.521	0.16	0.871
Core median household income	1.750	2.88	0.004	-28.611	-1.28	0.201
Obs.	235			235		
F-ratio	2.67			4.22		
Prob > F	0.001			<.0001		
R-squared	0.155			0.224		
Adj R-squared	0.097			0.171		
Dep Var Mean	0.345			60.753		

Table Three: Non-Core City Transfers To Other Cities

	Non-Core City Transfers for Social Welfare Activities			Non-Core City Transfers for Non-Social Welfare Activities		
	Coef.	t-ratio	Pr >  t	Coef.	t-ratio	Pr >  t
Constant	-0.053	-0.06	0.949	-13.855	-0.56	0.579
Core own-source spending on social welfare activities (per capita)	0.001	4.45	<.0001			
Non-core own-source spending on social welfare activities (per capita)	0.001	2.46	0.015			
Core own-source spending on non-social welfare activities (per capita)				0.007	1.96	0.051
Non-core own-source spending on non-social welfare activities (per capita)				0.011	1.97	0.050
Number of non-core cities (logged)	0.028	0.31	0.754	-5.838	-2.15	0.033
Non-core population	0.036	2.72	0.007	0.774	1.97	0.050
Non-core poverty (pct)	-0.005	-0.23	0.819	-0.384	-0.57	0.573
Non-core African American (pct)	0.008	0.87	0.383	0.325	1.21	0.227
Non-core Latino/Latina (pct)	-0.008	-0.68	0.496	-0.176	-0.49	0.623
Non-core education less than 9 yrs (pct)	0.041	1.43	0.155	0.291	0.34	0.732
Non-core median household income	0.151	1.04	0.298	4.776	1.10	0.273
Core population	-0.031	-2.97	0.003	-0.627	-2.00	0.047
Core poverty (pct)	-0.003	-0.19	0.849	0.767	1.41	0.160
Core African American (pct)	0.000	-0.04	0.968	-0.114	-0.73	0.468
Core Latino/Latina (pct)	0.006	0.49	0.622	0.185	0.55	0.586
Core education less than 9 yrs (pct)	-0.037	-1.37	0.171	-0.411	-0.51	0.609
Core median household income	-0.159	-0.85	0.395	-0.075	-0.01	0.989
Obs.	235			235		
F-ratio	3.40			2.66		
Prob > F	<.0001			0.010		
R-squared	0.189			0.154		
Adj R-squared	0.134			0.096		
Dep Var Mean	0.220			12.559		