Issues in Governance Structure for Metropolitan Areas

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Introduction

Economic development theorists are increasingly promoting the emergence of strong regional economies as the key to the successful attraction and maintenance of economic activity. Driving this is a view of the world that suggests that global competition and technological change are making business location decisions increasingly footloose and less related to the natural resource advantages that had often favored cities that had developed on waterways.[1] Regions have emerged as a defining feature of economic geography because they have become the locus of where economic decisions are made. Often these regions cross state and national boundaries, and this has placed a premium on developing policies and structures that promote regional development.

The jewel that attracts economic growth and development to a region is invariably its metropolitan areas, which offer the amenities and services demanded by businesses. A current school of thought suggests that at a time when 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 metropolitan regions. This pattern of deconcentration of economic activity is entirely rational given the current rules of the economic development game. Research has shown (Oakland and Testa, 1995) that any town will receive a tax benefit from securing commercial development even if that development has spillover effects that may not benefit the region. However, since political and economic structures are not in place to promote the region's interest over that of an individual town, this pattern of uncoordinated growth continues. The most frequently suggested solution to this problem is to institute some form of centralized metropolitan or regional government where growth can be coordinated and the entire region can share the benefits of economic growth. This suggested solution is hardly new. Support for metropolitan governance has a long academic that, attracted particular interest in the 1950s and early 1960s by the work of Victor Jones, Paul Studenski, and Luther Gullick.

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.[2] These efficiencies lower the cost of government while providing the types of uniform government services that should appeal to businesses when making locating and operating decisions.

This issue of metropolitan governance is of particular interest to the Midwest. First, metropolitan areas in the region have been beset by declining population and the loss of manufacturing jobs in the central city and growth-related problems in the suburbs. Recent economic and population growth in metropolitan areas in the Midwest has largely been achieved through a process of spreading activity farther away from the central city. This expansion has led to the creation of smaller economic hubs in more distant suburbs and with this often a pattern of uncoordinated land use. While this pattern of development is occurring in metropolitan areas around the nation, it is more noticeable in the industrial cities of the Midwest where central cities were accustomed to functioning with high densities in terms of both economic activity and population. This presents midwestern metropolitan areas with a number of challenges. Emerging regions have a better opportunity to configure themselves in such a way as to take advantage of trends in economic growth. Newer metropolitan areas can be designed to accommodate the infrastructure that is needed to promote commerce while midwestern cities are often left with an aging infrastructure that was better designed to support the commerce of the early 1900s than of the 1990s. Given this disadvantage, promoting a healthy and integrated region is arguably more critical to the future health of the Midwest than other regions.

Second, the Midwest is a laboratory for examining the issue of metropolitan governance. The region is home to some of the most extreme examples of consolidated and fragmented government in the nation. From the relatively tight knit "Unigov" structure of Indianapolis to the highly fragmented overlapping government structure of Chicago, the full range of government types is available.

The first part of this paper will review the competing arguments surrounding metropolitan governance. Does the research to date suggest that metropolitan areas that adopt some aspect of regional metropolitan governance benefit from the experience? Do they grow in a more orderly fashion and do they provide government services in a more efficient manner? The second half of this paper will examine some specific case studies of limited versions of metropolitan government in the Midwest.

How Have Metropolitan Areas in the Midwest Changed?

Work by Testa and Szatan (1994) chronicles the most significant dynamic that has influenced midwestern metropolitan areas. While population continues to leave rural areas for metropolitan areas, the distribution of the population within the metropolitan area continues to spread out. The movement of population in the early 1900s tended to be from rural areas to the central city, while today population movement tends to be out of the central city to the surrounding suburbs and the outskirts of the metropolitan area. The easiest way to illustrate this shift is to document the growth in metro population while at the same time noting that the population of the central urban areas in many midwestern cities has declined. (See table 1.)

Whether the trend toward a more spread-out metropolitan area is a trend that should be viewed with alarm depends on what is motivating the population movement. Some would argue that the high population density in the central city helped create pollution, overcrowding, and a variety of problems associated with congestion. Some support for advocating lower population densities can be drawn from the fact that population densities in the fastest-growing Sun Belt cities are significantly lower than in "sister" Midwest cities, which may provide anecdotal evidence that lower densities are better suited to promoting growth in the current economy. (See figure 1.) One urban analyst, David Rusk (the former mayor of Albuquerque, New Mexico), has even suggested that modern cities appear to have difficulty growing once the population density of a city reaches more than 5,000 people per square mile.[3] This is at least partially due to the apparent preference that Americans have for living in lower density communities.

Table 1 Population Growth, 1970-1994

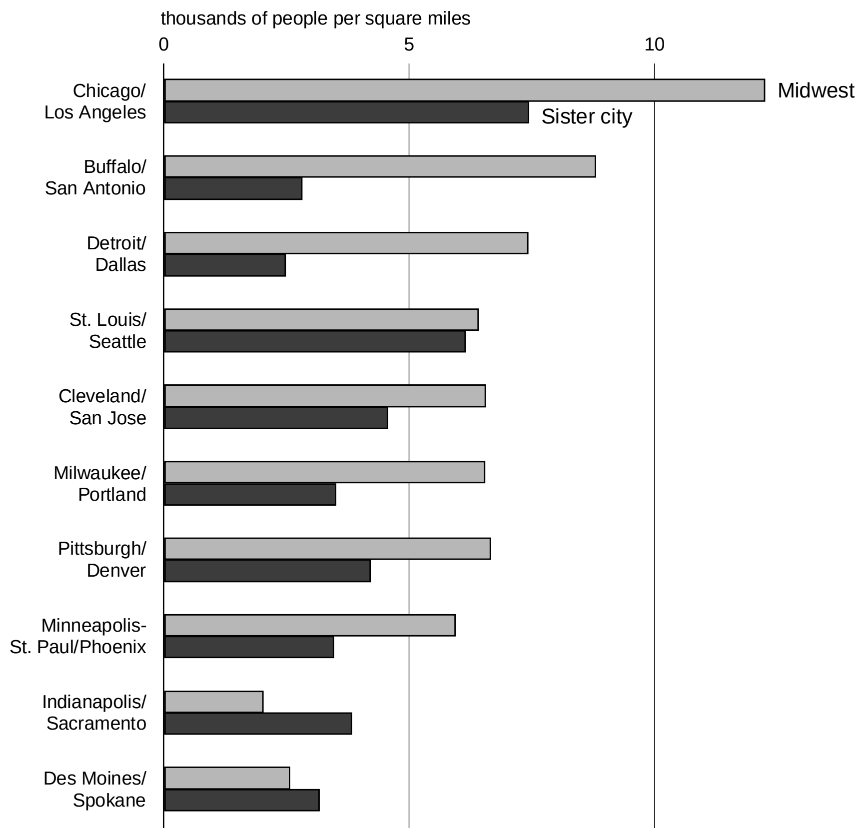
	1970	1980	1994	% change 1980-1994	% change 1970-1994	City as % of metro area 1970	City as % of metro area 1980	City as % of metro area 1994
Chicago city	3,362,825	3,005,072	2,783,726	–10.6	–17.2			
Chicago metro	6,974,906	7,103,624	7,410,858	1.8	6.3	48.2%	42.3%	37.6%
Metro-city	3,612,081	4,098,552	4,627,132	13.5	28.1			
Detroit city	1,511,336	1,203,339	992,038	–20.4	–34.4			
Detroit metro	4,199,931	4,488,072	4,307,107	6.9	2.6	36.0%	26.8%	23.0%
Metro-city	2,688,595	3,284,733	3,315,069	22.2	23.3			
Milwaukee city	717,124	636,212	617,044	–11.3	–14.0			
Milwaukee metro	1,403,688	1,397,143	1,455,572	–0.5	3.7	51.1%	45.5%	42.4%
Metro-city	686,564	760,931	838,528	10.8	22.1			
Indianapolis city[a]	744,570	700,807	741,952	–5.9	–0.4			
Indianapolis metro	1,109,882	1,166,575	1,461,695	5.1	31.7	67.1%	60.1%	50.8%
Metro-city	365,312	465,768	719,743	27.5	97.0			
Des Moines city	200,772	191,003	193,965	–4.9	–3.4			
Des Moines metro	286,101	367,561	416,486	28.5	45.6	70.2%	52.0%	46.6%
Metro-city	85,329	176,558	222,521	106.9	160.8			

[a]Indianapolis has a metropolitan governance structure.
Source: Bureau of the Census, County and City Extra, 1996, 1982, 1972.

Certainly the economic conditions that once favored the development of high-density, central cities have moderated. Several reasons can be identified to explain this shift. First, growth in many older cities, such as those found in the Midwest, was often related to proximity to a natural resource that provided the site with a comparative advantage over other locations. Often this was a river or a body of water that promoted the transportation of commerce and then led to other economic advantages that encouraged clustering of the labor force in the central city.[4] Today, economic activity is often associated more with concentrations of capital and human skills than with natural resource endowments. Both capital and labor are significantly more footloose than are natural resources, and this has weakened the development advantage cities that grew up around natural resources once had. Given this, development no longer has to be concentrated at a central place. Instead, development has become multimodal, with pockets of economic activity located throughout a metropolitan region. This permits specialized economic centers to emerge in proximity to each other but spread over a larger geographic area. In the process the boundaries between urban, suburban, and rural areas are blurred and a more economically homogeneous metropolitan region emerges.

However, not all aspects of this deconcentration are benign. 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 this new growth configuration may be producing new problems. Numerous analysts (A. Downs, 1994; David Rusk, 1993) have questioned whether metropolitan deconcentration has led to a new pattern of rational

Figure 1 Population density, 1990



economic growth or simply unregulated sprawl. Downs argues that as development has moved out of the cities, individual towns have adopted policies that protect their interests but often lead to a patchwork of regulations and rules that end up hurting region wide development prospects. Initially, towns will often pursue new commercial development at virtually any cost, using tax incentives and land write-downs to attract commercial activity. This development often has negative spillovers for surrounding communities in the form of increased congestion, pollution, and insufficient infrastructure to accommodate growth; but this is often of little concern to the community that is able to "win" the commercial development. Since the property tax advantages of commercial development are limited to the town where the development occurs, adjacent towns are often forced to accommodate the development without any greater fiscal resources. A second stage in this process finds towns instituting local growth-management policies to force development elsewhere or closely regulate what type of development can occur once residents decide that additional growth is not desired.

A Second Issue—Optimal Government Size

Even if the potential harmful effects of urban sprawl were not a consideration in examining the possible benefits of a more centralized form of metropolitan governance, the issue of the optimal size of government would need to be addressed. Efficient firms need efficient government to help (or at very least not hinder) their performance in the world economy. The efficiency with which government provides its services is receiving growing attention and a substantial literature has been produced since the 1920s examining whether larger consolidated governments are more efficient in producing services than are smaller fragmented units. Bish and Nourse (1975) summarize the assumptions in favor of a single consolidated government across three dimensions. First, metropolitan areas are really single entities linked by a shared economy but artificially divided by fragmented government jurisdictions. Second, the metropolitanwide needs of citizens and businesses cannot be met by this fragmented government structure. Third, the elimination of fragmented jurisdictions will eliminate duplication and overlap among fragmented government units and permit a single metropolitan government to efficiently provide public goods and services at greater economies of scale.[5] As the authors point out, evidence as to whether this in fact is the case has been contradictory.

In analyzing the question of what is the optimal size of government for providing public goods, economists have tried to estimate the spillover effects and the scale economies that are produced when a central government is able to provide a uniform service across a metropolitan region.[6] If positive spillovers and significant economies of scale exist, centralized provision of government services may be warranted. In general, this tends to apply most easily to government services that appear well suited to technical solutions. For example, provision of water, sewage disposal, and electric services appear to benefit by provision from a centralized metropolitanwide government. Supporters of metropolitan government also suggest that mass transit, transit planning, and even land, use planning functions also appear to benefit from central provision. The services that tend to be poorly performed by centralized governments are many social services, such as education and welfare, for which local tastes can dictate what level of service is provided.[7]

However, economists in general have been suspicious of overstating the potential benefits of providing government services through single, metropolitanwide governments. Much of the criticism of centralized government arises form the work of Tiebout (1956). Tiebout suggested that consumers of government services will be best served when they are free to move and choose communities that provide their desired level of public outputs. Essentially, a market of government services exists where each municipality chooses to produce a basket of services that correspond to the tastes of a certain group of consumers. Some consumers may value education services highly, so they will choose to live in a town where government funds these services vigorously. The consumer chooses to live in a community where the taxes he must pay provides him/her with the level of services and amenities that are desired. If the community fails to do this, the consumer can move to another community that better suits the consumer's interests. This competition among communities not only allows individual towns to provide their own unique set of services but also creates fiscal competition between towns that in principle should control the size of government. Support for this is found in the work by Eberts and Gronberg (1988), who found a statistically significant relationship between the number of general purpose governments and the size of government as measured by the share of personal income supporting local government expenditures. The more general purpose governments there are, the smaller the share of personal income required to support local government. While this supports the idea that decentralized government promotes fiscal competition and holds down the cost of government, it does not attempt to explain whether these decentralized governments can provide better-quality services than more centralized governments. Not surprisingly this has led to a policy prescription that suggests a hybrid approach to providing government services works best. Rather than uniformly supporting either a centralized or fragmented government structure, the best policy approach appears to consider the nature of the service and gear provision to the appropriate form of government. In addition, many of the proponents of greater centralization in the provision of government services suggest it is the proliferation of special districts and limited-function governments that is at the root of the problem rather than the number of general purpose governments.

Can Centralized Metropolitan Governance Help With Sprawl?

Whether a more centralized model of governance should be developed to alter the current pattern of metropolitan deconcentration really depends on an assessment of what forces are causing the population to spread out.[8] If economic factors, such as more efficient production and lower transportation costs concentrated outside of the central city are promoting deconcentration, policies to reverse this may simply promote inefficiency. If, however, it is being caused by perceived negative externalities that are associated with the city, such as social problems, deconcentration may reflect an inefficient distribution of available resources. 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 may relocate to areas that serve their individual needs but do not necessarily promote the interests of the region. Anecdotal evidence of the growing pains associated with suburban growth would indicate that deconcentration is at least partially being driven more from what Voith (1994) refers to as a "flight from blight" than from some optimal reconfiguring of resources to maximize efficiency in the regional economy. However, a frequent criticism of efforts designed to introduce metropolitan governance is that it is a thinly disguised attempt at an urban policy designed to force development back into the central city. Those analysts that believe metropolitan deconcentration will improve regional economic efficiency suggest that some of the traditional roles of central cities may be anachronistic. For example, trying to return certain forms of manufacturing to central city locations, given transportation limitations and an inappropriate work force, is inefficient. Furthermore, the increasing preference of firms for suburban locations can lead to healthy suburbs that may function without a healthy central city.

In the Midwest, the case of Detroit is often presented as an example of just such an independent relationship between the city and the suburbs. On the surface, it would appear that the suburbs surrounding Detroit have continued to flourish despite the sharp decline of Detroit's central city. The suburbs may have simply absorbed those industries that have left the city, suggesting that the area has not lost economic activity but simply has redistributed its location. Given evidence that commercial development usually benefits the community that is the site of the development (Oakland and Testa, 1995), it must be asked: Why should suburban communities embrace a new form of governance that would channel commercial development back into the urban area and, in doing so, surrender the tax benefits they would receive by capturing the development themselves.

Several economists have addressed this issue by conducting research designed to establish a link between the health of central cities and the development prospects of the suburbs. (Voith, 1994; ACIR, 1993;, Van Der Veer, 1994; Savitch et al. 1993). To begin with, these studies have found that gains in city and suburban population, per capita income, and housing values are positively correlated. For example, Voith reports that these relationships, when examined on a decade-by-decade basis since the 1960s, have actually strengthened.[9] (See table 2.) However, this growing relationship does not imply causality; and it may be that the stronger correlation does not reflect greater interdependence between city and suburbs but rather that as economic activity has moved out to the suburbs, suburban economies have begun to look more like city economies and react to external economic forces in the same manner as their city counterparts.

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	0.809	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).

While much of this research is still quite young, it has come up with two interesting findings. First, the age of the city matters when it comes to growth prospects; and second, the time period over which deconcentration is examined matters when it comes to measuring whether suburbs are flourishing without a healthy central city. Research by Norton (1979) found that in the U.S., cities developed before 1920 have faced significantly different economic prospects than cities developed after 1920. The pre-1920, or "old cities," are characterized as largely land locked with high population densities and constructed before automobile transportation was the dominant form of transportation. 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 trend in population, density, age of the housing stock, and the ratio of household income of city dwellers to suburbanites over the period 1950 to 1975 in order to reach some general conclusions about how the age of a city influenced growth. The old cities in the sample (those built before 1920 with a high population density and a large percentage of housing stock built before 1939), shrank during this era while the young cities grew. In calculating a mean for the old cities in the sample, Norton found that they had a population density of 13,000 per square mile, 69% of their housing stock was built before 1939 and the ratio of city household income to that of household income in the surrounding SMSA ring was 77%. These old cities had also experienced a 21% decline in population from 1950 to 1975. In contrast, the mean of the sample young cities had seen population grow by 124% and had significantly different characteristics. Population density was just under 3,000 per square mile, only 26% of the housing stock was pre-1939 vintage, and the ratio of city household income to suburban income was 101%.[10] Norton's sample included four midwestern cities, with Chicago and Detroit being grouped in the old category, Indianapolis in the young category, and Milwaukee as falling somewhere in between in a category entitled "anomalous." If the similar variables are updated to 1990 for the cities in the Midwest that Norton examined, the pattern remains much the same with the exception of Milwaukee, which appears to now behave more closely to the old cities than the new (table 3).

Proponents of this school of thought suggest that initial decline in the central city may not seem to set off any alarm bells, but, over time, decline will affect the suburbs. Work by Hall and Hay (1980) and Vanhove and Klassen (1980) has tried to develop a model for explaining the stages of metropolitan development.[11] This work divides metropolitan development into five stages as illustrated in table 4. According to Rothblatt (1994), the majority of U.S cities are operating at Stage 5, "absolute decentralization," meaning that the central city population is shrinking while the metropolitan region population is growing and the perceived characteristics of the metropolitan area are in decline. If the process moves to the next stage, all of these characteristics turn negative. Rothblatt points out that the consequences of this evolution in an increasingly open economy are particularly worrisome. As urban markets expand and become more competitive, firms in these markets must become more efficient in order to compete. In order for firms to gain efficiencies they need to function in well-managed and supportive metropolitan areas. If deconcentration leads to metropolitan diseconomies such as traffic congestion and higher housing prices,

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

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

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	–	–	–

Source: Rothblatt (1993).

firms will begin to seek other, more efficient locations. Initially this may only find firms locating farther from the central city, but as the diseconomies of the central city spread throughout the metropolitan economy, economic activity will begin to leave the region altogether. As congestion and pollution spread out following economic activity, it becomes more important to establish regional mechanisms for what are rapidly becoming regional problems. Establishing a structure to promote regional problem, solving and consensus, building becomes more important as both the growth prospects and the problems of the metropolitan region become more interdependent.

Finally, evidence of this growing interdependence of suburbs and inner cities can be found in the growing percentage of suburban income that is derived from the city. In 1980, 47% of suburban income could be related to income in the core city. By 1990, that figure had risen to 61%. In some metro areas, the concentration of high-paying business service jobs in the city often means that a significant portion of city-based earnings benefits suburban residents. For example, in 1990, 65% of the earnings generated from jobs located in Washington, D.C., went to workers living in the suburbs.[12] One study found that from simply an earnings capacity point of view, a $1,000 gain in city per capita earnings translates into a $690 gain for the suburbs. Equally, a $1,000 loss translates into a $690 loss in per capita suburban earnings.[13]

Is There a Better Way?

Developing a better structure for governing metropolitan growth has long been of interest to planners and academics but has been viewed with suspicion by politicians and voters, who fear that some type of formal structure overseeing metropolitan governance will merely create another layer of government that will duplicate existing functions of government without providing particular benefits from improved coordination. In addition, local governments are unlikely to want to cede any powers that they currently have to some new, higher level of government. In recognition of this, even during the era from 1947 to 1978 when interest in creating new forms of metropolitan governments were at their height, only 18 out of 63 major attempts to create limited forms of metropolitan government succeeded. In addition, the reluctance of local governments to cede power has been demonstrated by the fact that most regional government structures have been created by state government and imposed on metropolitan areas rather than representing grassroots efforts driven by individual towns wanting to become part of a regional governance structure. Still, there are some notable examples of success that may prove to be models for those interested in at least trying to assess the potential advantages of metro governance. These include “Unigov” in Indianapolis, the Allegheny Regional Asset District in Pittsburgh, and the Metropolitan Council of Minneapolis/St. Paul.

Case Studies of Metro Governance

There have been some notable attempts to introduce metropolitan governance concepts and create some forms of regional governance in the Midwest. At the outset, it should be said that none of these has been as ambitious or in many ways as successful as large-scale efforts like those in Toronto.[14] In most cases, metro governments have been established to fill in 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 more than they serve as ready-made models to be implemented in other areas.

Minneapolis–St.Paul

Attempts at active metropolitan governance in the Twin Cities have a longer history than those in virtually any other U.S. city. As early as 1957, the Metropolitan Planning Commission (MPC) had been established in an effort to coordinate issues of regional growth.[15] However, this model was designed to operate on the voluntary Council of Governments structure and proved largely ineffective in helping to manage growth. The MPC was well equipped to study the nature of growth problems and to suggest potential solutions, but it was ill equipped to enforce any of its suggested policies. Recognizing this, the MPC was supplanted by the Metropolitan Council of the Twin Cities in 1967. The council has been credited with notable successes but still has significant obstacles that prevent it from operating as a fully developed regional government policymaker.

Council Structure

The Metropolitan Council is a unique agency largely designed to fit in between the layers of local and county government. The council's regional area consists of seven counties in the metro area. Within these seven counties are roughly 272 governments divided in the following manner: 7 county, 138 city, 50 township, 49 school district, 6 metro agency and 22 special purpose district. Given this structure, the role of the council from the beginning was to fill in the gaps, picking up areas that other governments were unwilling or unable to manage. The council's charge became coordinating planning, particularly in the area of physical infrastructure.

There are several unique aspects of the council's structure. First, it was created by and reports to the state legislature. This is of interest since its interactions are with local and county governments but its mission is defined by state government. This suggests that the council's primary audience may be state rather than local government, although, over time, local considerations appear to be more influential in the council's deliberations. Second, all 17 council members are appointed by the governor with some input supplied by legislators from districts in the metropolitan area. Using an appointment process may help council members feel that they do not have to be particularly beholden to parochial interests since they are not forced to respond to a local constituency. However, it has the disadvantage of reducing the leverage of council members since they do not have much broad-based public support and are often not well known within the metropolitan area. Third, by design the council has very little actual operating authority. While it does oversee and approve the budgets of some smaller regional operating authorities, its clear 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 is less effective in social policy, with efforts such as health care and education having so far proven largely unsuccessful.

Two areas that are often seen as successes for the council were its 1973 Metropolitan Development Guide and its successful tax-base-sharing program. The development guide was an ambitious, state-mandated effort to rationalize growth within the region in order to prevent urban sprawl. The major goal of the plan was to channel development into the central city and the already heavily developed first-ring suburbs before development was encouraged to leapfrog into rural locations.[16] The strategy was to guide development to fill in urban areas that already had existing infrastructure rather than to seek undeveloped areas that pull economic activity farther out from the city center. In addition to this primary goal of guiding development, it was also hoped the plan would promote a series of subsidiary goals, including 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 public services and increasing citizen involvement in regional governance.[17]

Assessments of the success of this structure in channeling development have been mixed. Clearly the Twin Cities have been able to shift some development into the central city during the mid-1970s through the 1980s. Commercial construction in the city has been strong and the economic prominence of Minneapolis-St. Paul was enhanced during this period. However, while commercial activity held up, it cannot be ignored that the central city still lost population during this period and particularly in comparison with the outer-ring suburbs. Still, there is some evidence that growth was channeled into the first-ring suburbs, suggesting that some of the structure is working. Population density in the close-in suburbs rose, suggesting that the attractiveness of in-fill development was increased. Further evidence shows that while population growth did accelerate in the outlying suburbs, commercial development did not leapfrog in the usual pattern. Enforcing some of this were efforts to limit sewer and water extensions to working farmland.[18]

One other distinction must be made in calibrating the success of this plan. While development within the designated planning area was influenced, there was still the problem of uncontrolled development in the fringe area located just outside the five defined districts. Since the plan did not allow the districts to annex the surrounding areas as growth pressure seeped out, growth on the fringe went largely unchecked.

A second major effort of regionalization that has met with some success is mandated tax-base sharing. In 1974, the Fiscal Disparities Act was passed with the intention of reducing the disparities in tax bases between towns caused by the concentration of commercial activity.[19] The proponents of the act perceived the choice of commercial activity as being mostly accidental, with towns that attracted commercial activity receiving significant tax benefits while the neighboring towns and the region were forced to deal with the spillover effects of development without receiving any tax benefit. To correct for this, the law established a tax-base-sharing pool that would channel money to those communities unable to attract commercial development. Specifically, the law established 1971 as the base year and stipulated that 40% of the net gain in new commercial and industrial development would be dedicated to a tax-base-sharing pool. The money in the pool would be shared by the communities that were unable to attract development, based on a formula that took into account population growth and the fiscal capacity of the town. By 1989, roughly 30% of the total commercial and industrial assessed value was in the pool. This had the effect of spreading the commercial and industrial tax base more equitably across the region. With the fiscal disparities plan, the ratio between the highest commercial and industrial tax base per capita (in 1991) and the lowest was 4 to 1. Without the plan, the ratio would have been 22 to 1.[20] The primary beneficiaries of this program have been fast-growing residential areas that have not had commercial development. Ironically, the central city, because of the concentration of commercial construction downtown, has ended up being a net contributor to the fund.

Assessing the Minneapolis Experience

Many analysts have pointed to the Metropolitan Council as at least a partial success. Clearly it has had a significant influence on planning infrastructure and has been credited for its work, which ranges from development of the metro airport to the siting of the Metrodome sports complex and the giant retail center, the Mall of America. Still, 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 economic growth. This recognition that the Twin Cities are competing with other North American metropolitan areas for jobs and new industries appears to stem from two areas. First, the Twin Cities are the only significant metropolitan area for a 400-mile radius. This relative isolation means there is no other place in the region that is likely to be a significant draw for new economic activity. Second, intraregional alternatives to economic growth have faded. Growth in the regions agricultural industries appears limited, and activity on the Iron Range has faded. Given this, metropolitan success has become more urgent.

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. Farming, dairy, electrification, and even housing co-ops were relatively common, and some analysts have suggested that cooperation has carried over into a greater acceptance of government structures that draw on broad networks of resources. Finally, a problematic reason for the success of regional governance may be the cultural homogeneity of the region. Some evidence suggests that the more racially different the population of the central city is from the surrounding suburbs, the less likely it is to embrace metropolitan governance, particularly when it perceives metro governance mostly as a measure to help the central city at the suburbs' expense. The Twin Cities, with a minority population of 12%, is the most homogeneous urban area of the 30 largest in the country.[21]

These factors may combine to make acceptance of metropolitan governance more likely. However, it is still clear that even in this more friendly environment, metro governance 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. The problem is that, like most governments, once its role is defined, it is hard to re-invent itself.

Allegheny Regional Asset District

One of the most recent attempts at a form of metropolitanwide government is the Pittsburgh area's, Allegheny Regional Asset District.[22] Established in 1994, the district is an areawide unit of government created to support the effective and efficient operation of regional assets. The county commissioners created the district in order to address five policy objectives. The objectives are to: improve and stabilize the funding for regional assets; correct funding inequities for Pittsburgh; relieve overreliance on selected taxes (particularly property); reduce fiscal disparities between rich and poor communities; and enhance regional cooperation. The district specifically has no direct taxing authority, it is provided with 50% of the proceeds raised through the 1% countywide local option sales tax. The district uses the proceeds to help fund so-called regional crown jewels. These are such amenities located in Allegheny County that benefit all residents. In the district's allocation of 1995 funds, 30% went to parks and 32% to libraries. Other recipients were sports venues, cultural entities, and special facilities. Many of these regional "crown jewels" are in the city of Pittsburgh and have a recent history of financial distress. City resources for funding these regional assets have become strained as central city growth has lagged that found in the suburbs leasing Pittsburgh in an awkward position. While still the heart of the region's economy, it was being asked to fund amenities that no longer primarily benefited city residents. For example, the city zoo was funded primarily by the city prior to the creation of the district despite the fact that between 75 and 85% 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 these crown jewels.

The remaining 50% of sales tax proceeds are spent by the county government and 128 municipal governments to help meet other policy objectives endorsed by the county commissioners. Allegheny County uses its 25% of the total sales tax revenues to reduce property taxes by 25% and to eliminate the countywide personal property tax. The remaining funds are distributed to municipalities by a formula 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 from 10% to 5%.

The district is run by a seven-member citizen board. The board members cannot be elected officials, public employees, or even relatives of elected officials. Four members of the board are appointed by the Allegheny County commissioners; two are appointed by the mayor of Pittsburgh and the seventh is chosen by the other six members from a list of nominees provided by regional agencies within the area. The governor is also allowed to appoint an eighth nonvoting member. The board members decide which regional assets are eligible for funding. Although a few assets are specifically excluded (schools, health care facilities, and parks with less than 200 acres), virtually everything else can qualify. However, funding is only provided if six of the seven board members approve. As a new experiment in regional government, this method for supporting regional assets will receive a great deal of attention in the future.

Indianapolis and Unigov

Another Midwest experiment in regional governance was the creation of the "Unigov" structure 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. At the outset, Unigov was not intended to create a single government responsible for all functions in the combined Marion County/Indianapolis area. It was primarily intended to create a unified legislative body—the City-County Council with the mayor of Indianapolis as the chair of the council.[23]

Initial support for Unigov was not overwhelming. Many city constituents, particularly black residents, saw Unigov as an attempt to dilute their political influence. As a growing segment of the city's population, Unigov would add 113,000 mostly white suburban residents to the electorate that would then stand at 406,000 voters. In practice this would swing the city-county elections to the Republicans. Supporters of Unigov recognized that support for the new consolidated structure might not run deep and chose not to seek a voter referendum to approve the reorganization. Unigov was ultimately approved only by the Indiana legislature with proponents bringing a voluntary lawsuit against themselves in order to ratify the legitimacy of the new structure and forestall potential court challenges.[24] From a structural point of view, the county still contains 50 separate local governments and 100 taxing units. The Unigov legislation did create Indiana's only consolidated city with geographic boundaries roughly equal to those of Marion County. The boundaries of the city expanded from 82 to 402 square miles, and the population grew from 480,000 to 740,000 residents. The legislative body responsible for governing the area is the 29-member City-County Council. Twenty-five of the council's members are elected from single districts while four are elected at large. The council members serve four-year terms. The mayor is the executive of the consolidated city and is elected citywide.

The consolidated city has six administrative departments below the mayor's office. These are the Departments of Administration, Metropolitan Development, Parks and Recreation, Public Safety, Public Works, and Transportation and Public Health. These departments, housed in the executive branch, provide countywide services that had previously been performed by 16 independent special purpose corporations. Still, there are six independent municipal corporations that exist outside the consolidated city's direct control. These independent corporations tend to be single-function governments, such as 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 these independent corporations are influenced by actions of the consolidated city through measures that allow the City-County Council to review the corporations' budgets and appoint governing members to the board.

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, at the time of the creation of Unigov, 4 municipalities received "excluded cities" status and retained their own government structure. Another 17 municipalities received the somewhat misguided designation of "included towns," which meant that while they still maintained their own local government, they were permitted to vote in the county-city elections because they did pay 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 nature and geographic area in which services are provided.[25]

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 without the Unigov structure. Some of this diversification has been forced on the consolidated city due to actions by the state and federal government, but the larger scope of the consolidated city has provided 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 growth in the property tax rate while compensating towns through a state property tax replacement fund whose revenues were derived from an increase in the sales tax. Since this limited future growth in the property tax, the search for alternative revenues became increasingly important. Similarly, the decline in federal support, particularly in the form of block grants, made local revenue-raising more important. Unigov has helped expand the fiscal base of the city and has allowed the passage of new revenue raising options that have not had the effect of making the central city of Indianapolis prohibitively more expensive (from a tax perspective) than the adjacent communities. A county-option income tax was adopted in 1983 and a 10% 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 with the advantage of being countywide so that they do not create an undue distortion in the city's tax base relative to other communities.

Indianapolis has also been able to pursue the usual array of tax incentives in an effort to attract and retain business in the area but, by being able to draw on the larger consolidated city area tax base, the cost of the incentive to the individual town is reduced since the lost revenue can be absorbed across the larger tax base. Similarly, the benefits of the added economic development can be shared countywide. The city-county government has also been able to use its powers of eminent domain to rationalize economic development by being able to assemble appropriate parcels of land for development.

While this has helped with both economic growth and revenue raising, it has 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; and nominal property tax rates ranged from $7.92 per $100 assessed valuation to $13.09 per $100 assessed valuation. The reason for this variation is that certain services are still supported only by the local tax base and not the entire tax base of the consolidated city. In the case of the community with the highest tax rate (Center Township in downtown Indianapolis), public assistance needs run high and are paid for only through property taxes that are imposed on Center Township properties.

One particular advantage that Unigov has provided from a fiscal standpoint has been the ability to borrow money. The expansion of the city's boundaries to include the surrounding suburbs has meant that financing large-scale capital projects has been easier since the expanded tax base can support these projects. It has also arguably lowered debt costs since the increased flexibility provided by the larger tax base has led bond-rating agencies to give Indianapolis consistently high debt ratings. Without the Unigov structure, it has been estimated that the general obligation bond rating for Indianapolis would be significantly lower (A1) than the AAA rating that Unigov has consistently received. Since ratings agencies are always interested in the size of the tax base and the flexibility that a government unit has in raising revenues, the Unigov structure increases the attractiveness of such an offering.[26]

Still, Unigov has not been much more successful than other metropolitan governance experiments in corralling growth within its designated region. In 1970, roughly 66% of the population of the nine-county area that comprises central Indiana lived in the consolidated city boundaries. Today that figure has dropped to 52%. This is often the most obvious problem afflicting regional governments as growth pressure invariably jumps the edge of the defined metropolitan area, and the inability of the regional government to annex additional territory can undermine the goals of the regional government.

Conclusion: Why is metropolitan governance important now?

The purpose of creating a more cohesive metropolitan region is worth restating. Efficient firms cannot function in inefficiently configured metropolitan regions for any long period of time. 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 almost any region. Metropolitan governance, or at the very least the creation of a better mechanism for recognizing regional goals for development, can help rationalize growth and help prevent the numerous problems that occur when each town charts a development policy that only provides 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 assure that balanced development can occur and that commercial development can be balanced with the needs such regional amenities as parks and open spaces. Ultimately the purpose of metropolitan governance would be 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 green belt areas that are also 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 can be best accommodated. While this would be the ideal, simply recognizing the linkages within metropolitan regions would at least establish a benchmark for midwestern cities to strive for as they attempt to re-invent themselves for the economy of the next century. Clearly the current pattern of economic growth does not appear sustainable.

Footnotes

[1] See Richard H. Mattoon, "Economic development policy in the 1990s—Are state economic development agencies ready?" *Economic Perspectives*, Federal Reserve Bank of Chicago, May/June 1993, pp. 11-23.

[2] For a discussion of issues concerning optimal government size, see, Jeffery S. Zax, "The effects of jurisdiction types and numbers on local public finance," in *Fiscal Federalism: Quantitative Studies*, Harvey Rosen, ed., University of Chicago Press, 1988, pp. 79-103. Also, for a different perspective, Randall W. Eberts and Timothy J. Gronberg, "Structure, Conduct and Performance in the Local Public Sector,"*National Tax Journal*, Vol. XLIII, No. 2, pp. 165-173.

[3] David Rusk, *Cities Without Suburbs*. Woodrow Wilson Center Press, Washington, D.C. 1993, p. 14.

[4] Niles M. Hansen, "Regional Policy in the United States," in *Public Policy and Regional Economic Development*—The Experience of Nine Western Countries, Hansen, ed. Ballinger Publishing, 1974, Cambridge, Ma. pp. 271-304.

[5] Robert L. Bish and Hugh O. Nourse, *Urban Economics and Policy Analysis*, McGraw-Hill, New York, 1975, p. 200.

[6] Wallace E. Oates, "An Economist's Perspective on Fiscal Federalism," in *The Political Economy of Fiscal Federalism*, Lexington Books, Lexington, MA., 1977, p. 6.

[7] Bish and Nourse, p. 201.

[8] Richard P. Voith, "Does city income growth increase suburban income growth, house value appreciation and population growth?" Working Paper 93-27, Federal Reserve Bank of Philadelphia, November, 1993, pg. 3.

[9] Ibid., p. 2.

[10] Jeron Van Der Veer, "Metropolitan Government and City-Suburban Cleavages: Differences between Old and Young Metropolitan Areas," *Urban Studies*, Vol. 31, No. 7, 1994, p. 1063.

[11] Donald N. Rothblatt, "Summary and Conclusions," in *Metropolitan Governance, American/Canadian Intergovernmental Perspectives*, Donald N. Rothblatt and Andrew Sancton, eds., Institute of Governmental Studies, Berkeley, CA, 1993, p. 457.

[12] H.V. Savitch et al., "The ties that bind: Central cities, suburbs and the new metropolitan region," *Economic Development Quarterly*, November, 1993, p. 345.

[13] Ibid., p. 347.

[14] 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, Frances Frisken, "Planning and Servicing the Greater Toronto Area: The interplay of provincial and municipal interests," *Metropolitan Governance: American/Canadian Intergovernmental Perspectives*, Donald Rothblatt and Andrew Sancton, eds. Institute of Governmental Studies Press, Berkeley, 1993, pp. 153-204.

[15] Judith Martin, "In fits and starts: The Twin Cities Metropolitan Framework," in *Metropolitan Governance, American/Canadian Intergovernmental Perspectives*, Donald N. Rothblatt and Andrew Sancton, eds. Institute of Governmental Studies, Berkeley, CA, 1993, p. 214.

[16] Ibid., p. 218.

[17] Ibid., p. 217.

[18] Ibid., p. 218-219.

[19] Ibid., p. 228.

[20] David A. Smith, "Comprehensive Tax Base Sharing," *Commentary*, Summer, 1994, p. 18.

[21] Martin, p. 207.

[22] James W. Turner, "The Allegheny Regional Asset District: Communities Thinking and Acting Like a Region," *Government Finance Review*, June, 1995, pp. 19-22.

[23] William Blomquest, "Creation of Unigov," *The Encyclopedia of Indianapolis*, David J. Bodenhamer and Robert G. Barrows, editors, Indiana University Press, Bloomington and Indianapolis, Indiana, 1994, pp. 1350-1352.

[24] William Blomquest, "Unigov and political participation," in *The Encyclopedia of Indianapolis*, David J. Bodenhamer and Robert G. Barrows, eds. Indiana University Press, 1994, pp. 1355-1358.

[25] William Blomquest, "Structure of Unigov," in *The Encyclopedia of Indianapolis*, David J. Bodenhamer and Robert G. Barrows, eds., Indiana University Press, 1994, pp. 1353-1355.

[26] Robert Kirk, "Unigov and Public Finance," in *The Encyclopedia of Indianapolis*, David J. Bodenhamer and Robert G. Barrows, eds., 1994, pp. 1358-1360.