IMPERFECT UNION

REPRESENTATION AND TAXATION IN MULTILEVEL GOVERNMENTS

This book offers the first political theory of special-purpose jurisdictions, including 35,000 special districts and 13,500 school districts, which constitute the most common form of local government in the United States today. Collectively, special-purpose governments have more civilian employees than the federal government and spend more than all city governments combined. The proliferation of special-purpose jurisdictions has fundamentally altered the nature of representation and taxation in local government. Citizens today are commonly represented by dozens—in some cases hundreds—of local officials in multiple layers of government. As a result, political participation in local elections is low, and special interest groups associated with each function exert disproportionate influence. With multiple special interest governments tapping the same tax base, it takes on the character of a common-pool resource, leading to familiar problems of overexploitation. Strong political parties can often mitigate the common-pool problem by informally coordinating the policies of multiple overlapping governments.

Christopher R. Berry is an assistant professor in the Harris School of Public Policy Studies at the University of Chicago. Previously, he was a postdoctoral Fellow at Harvard University in the Department of Government. Professor Berry received his B.A. from Vassar College, Master of Regional Planning (M.R.P.) from Cornell University, and Ph.D. from the Department of Political Science at the University of Chicago. He was a Charles E. Merriam Fellow at the University of Chicago.

For my grandparents
Howard and Helen Bullock
Robert and Patricia Berry

POLITICAL ECONOMY OF INSTITUTIONS AND DECISIONS

Series Editors

Stephen Ansolabehere, Harvard University
Jeffry Frieden, Harvard University

Founding Editors

James E. Alt, Harvard University
Douglass C. North, Washington University of St. Louis

Other Books in the Series

Alberto Alesina and Howard Rosenthal, *Partisan Politics, Divided Government and the Economy*
Lee J. Alston, Thrainn Eggertsson, and Douglass C. North, eds., *Empirical Studies in Institutional Change*
Lee J. Alston and Joseph P. Ferrie, *Southern Paternalism and the Rise of the American Welfare State: Economics, Politics, and Institutions, 1865–1965*
James E. Alt and Kenneth Shepsle, eds., *Perspectives on Positive Political Economy*
Josephine T. Andrews, *When Majorities Fail: The Russian Parliament, 1990–1993*
Jeffrey S. Banks and Eric A. Hanushek, eds., *Modern Political Economy: Old Topics, New Directions*
Yoram Barzel, *Economic Analysis of Property Rights,* 2nd edition
Yoram Barzel, *A Theory of the State: Economic Rights, Legal Rights, and the Scope of the State*
Robert Bates, *Beyond the Miracle of the Market: The Political Economy of Agrarian Development in Kenya,* 2nd edition
Jenna Bednar, *The Robust Federation: Principles of Design*
Charles M. Cameron, *Veto Bargaining: Presidents and the Politics of Negative Power*
Kelly H. Chang, *Appointing Central Bankers: The Politics of Monetary Policy in the United States and the European Monetary Union*
Peter Cowhey and Mathew McCubbins, eds., *Structure and Policy in Japan and the United States: An Institutionalist Approach*
Gary W. Cox, *The Efficient Secret: The Cabinet and the Development of Political Parties in Victorian England*
Gary W. Cox, *Making Votes Count: Strategic Coordination in the World's Electoral System*
Gary W. Cox and Jonathan N. Katz, *Elbridge Gerry's Salamander: The Electoral Consequences of the Reapportionment Revolution*

Continued following index

IMPERFECT UNION

Representation and Taxation in Multilevel Governments

CHRISTOPHER R. BERRY
The University of Chicago

CAMBRIDGE
UNIVERSITY PRESS

CAMBRIDGE UNIVERSITY PRESS
Cambridge, New York, Melbourne, Madrid, Cape Town, Singapore,
São Paulo, Delhi, Dubai, Tokyo

Cambridge University Press
32 Avenue of the Americas, New York, NY 10013–2473, USA

www.cambridge.org
Information on this title: www.cambridge.org/9780521758352

First published 2009

Printed in the United States of America

A catalog record for this publication is available from the British Library.

Library of Congress Cataloging in Publication Data
Berry, Christopher R.
Imperfect union : representation and taxation in multilevel
governments / Christopher R. Berry.
p. cm. – (Political economy of institutions and decisions)
Includes bibliographical references and index.
ISBN 978-0-521-76473-5 (hardback)
ISBN 978-0-521-75835-2 (pbk.)
1. Special districts – United States. 2. Local finance – United States.
I. Title. II. Series.
JS425.B47 2009
352.4′2190973–dc22 2009011591

ISBN 978-0-521-76473-5 Hardback
ISBN 978-0-521-75835-2 Paperback

Contents

Preface *page* ix
Acknowledgments xi

1. Introduction: American Politics in 3D 1
2. What's Special about Special-Purpose Governments? 26
3. A Political Theory of Special-Purpose Government 51
4. Piling On: The Problem of Concurrent Taxation 89
5. Specialization and Quality 129
6. Governing the Fiscal Commons 148
7. Conclusion 179

Methodological Appendix 197
References 233
Index 247

Preface

This book was influenced by statements from two eminent political scientists who have shaped my approach to the study of urban politics. The first statement is Paul Peterson's preface to *City Limits* (1981), in particular its first five paragraphs. Although it was not a statement made specifically to me—I was only to meet Peterson years later—it spoke to me quite directly. Therein, Peterson submits a trenchant indictment of the "loss of intellectual vitality" in the study of urban politics. He had the courage to say what most knew then and all must surely realize by now, namely, that while urban politics as a field of human endeavor remains exciting, fascinating, and central to modern life, urban politics as a field of academic study is an intellectual backwater. The reason, according to Peterson, is that urban scholars have stopped asking questions of first-order importance. Ironically, his accusation is vindicated most powerfully by the fact that *City Limits* remains the only book on urban politics written in the past 30 years that is still widely read by nonspecialists.

The second statement was made to me by Ken Shepsle over drinks in Harvard Square, just as I was beginning to form the ideas that became my dissertation and ultimately this book. I had met Ken at a conference the summer before, and we stayed in touch as a result of his generosity in mentoring a young student who had taken an interest in some of his work. When I described to him my ideas and asked his opinion on the prospect of writing a dissertation in the area of urban politics, he became pensive. "The essential thing," he said finally, "is that it not be sui generis." I nodded gravely in agreement and went home directly thereafter to look up the meaning of *sui generis*.

What both Peterson and Shepsle were saying, I came to realize, was that urban politics had become a moribund field by becoming disengaged from the intellectually lively debates of the discipline. It was asking questions that few outsiders cared about and whose answers had no implications for the rest of the field. Too often, the answers were being pursued

using methods that would not have been state-of-the-art two generations ago. As the rest of the discipline discovered the "new" institutionalism, formal theory, and modern econometrics, too many urban politics scholars continued to produce case studies, ad hoc theorizing, and cross-sectional correlations. For the field to regain its former stature and vigor, urbanists must again work on issues that are central to the discipline of political science as whole.

On first blush, this book does not appear to be a step in the right direction. It is, after all, centrally concerned with special-purpose governments, distinctly local political institutions. Yet, I hope to convince the reader, special-purpose local governments are not sui generis. In fact, instances of specialized jurisdiction are ubiquitous in modern political systems, whether in the form of congressional committees, parliamentary ministries, or international organizations. Moreover, at a very general level, differences between policymaking in single-dimensional and multi-dimensional settings have been the subject of intense debate among political theorists. Local governments, therefore, provide an ideal laboratory for studying universal questions about the politics of specialized jurisdictions. While some of the institutional details differ from, say, congressional committees, the central issues are the same. Indeed, I expect that the average student of Congress will find the material and methods in this book more familiar than will the average student of urban politics. If so, then I will have succeeded, though at the risk of pleasing neither one.

Acknowledgments

This book grew out of my dissertation, and I owe an immeasurable debt of gratitude to my committee. I thank Mark Hansen, my chair, for allowing me the freedom to work outside the mainstream, but not too far, for his near-encyclopedic knowledge of the literature (on almost anything), for providing the basic ideas that ultimately became Chapter 6, and, above all, for teaching by example what it means to be a professional scholar. Sven Feldmann went far beyond the call of duty in his participation, and I thank him for never accepting anything less than the best I could produce. I am indebted to Sam Peltzman for injecting a healthy dose of common sense into the project, for encouraging me to let the data speak for themselves, and for being the only one to care more than I did about getting it finished. Finally, I thank Richard Posner for never letting me ask small questions, for encouraging me not to shy away from saying controversial things, and for making it all look so easy. I could not have asked for a more talented, committed group, and if this book makes even a small contribution, their influence will be obvious.

Although not on my committee, others at the University of Chicago during my student days lent their support in various ways to this project and to my intellectual development. I am especially grateful to John Brehm, Michael Dawson, Jeff Milyo, Gerald Rosenberg, and Lisa Wedeen.

After leaving Chicago, I had the good fortune to spend two years at Harvard in the Program on Education Policy and Governance (PEPG), run by Paul Peterson. I thank Paul for his supportive and generous mentoring, and his friendship. The cadre of young scholars whom Paul has helped shape through PEPG is truly remarkable and will stand as one of his great contributions, alongside his own seminal scholarship. I hope my membership will not detract too much from that otherwise superlative group.

I later had the even greater fortune to return to the University of Chicago, this time as a faculty member at the Harris School of Public Policy Studies. My scholarship has benefited tremendously from my

colleagues at Harris—all of them. I thank in particular Duncan Snidal, for convincing me to return to this project and transform it into a book rather than a series of articles, and Marcos Rangel for detailed comments on an early draft. Disciplinary boundaries are especially porous at Chicago, and this book has been improved as a result of my interactions with colleagues throughout the university, especially Jacob Gersen, Roger Myerson, and Francesco Trebbi. Terry Clark deserves special mention for his generous support and for sharing data on party organizational strength that greatly enhanced Chapter 6.

Jeff Lewis, Terry Moe, Eric Oliver, and Ken Shepsle were the invited participants at a conference devoted to this book, and they provided extensive comments and lively discussion of the draft manuscript. Anyone who was at that conference can attest that the book has been dramatically improved as a result of their efforts. I thank them and the Harris School's Program on Political Institutions for sponsoring the conference.

Conversations with Brandice Canes-Wrone, Sanford Gordon, John Matsusaka, Michael Munger, Jonathan Rodden, Andrew Rutten, Koleman Strumpf, Nick Weller, and Martin West were important in the development of this project. Craig Volden was the discussant of a paper based on an early version of one of the chapters and, in addition to providing insightful comments, has been a consistent booster of this work ever since. John Curry at the U.S. Census Bureau helped me assemble, and comprehend, much of the data used in my analyses. I thank them all.

Sarah Anzia, C. C. DuBois, Sarah Lee, and Lindsay Wilhelm were outstanding research assistants. Sarah Anzia, in particular, went beyond the call of duty in collecting data on special district election timing and turnout, and helped write a section on the history of library districts for Chapter 5.

A few individuals must be singled out for extraordinary gratitude. As long as I have known him, Will Howell has been a great colleague and a better friend. Ethan Bueno de Mesquita is an intellectual force of nature, and his passion and seriousness of purpose are infectious. He also makes the best cup of hot chocolate the world has ever known. Mat McCubbins, whom I had never met before, extended to me an extraordinary act of professional generosity. All of them read the manuscript and provided indispensable comments, but that is beside the point.

I received funding that contributed to this project as a Charles Merriam Fellow of the University of Chicago, as a Daniel Levin Fellow of the Harris School, and as a Domestic Public Policy Fellow of the Smith Richardson Foundation. A grant from the Searle Foundation provided resources for me to complete the book.

Acknowledgments

At Cambridge University Press, Scott Parris, Lewis Bateman, and Adam Levine have been a terrific team. From the first submission to the final proofs, they have been encouraging, careful, and professional. Steven Ansolabehere, one of the editors of the Political Economy of Institutions and Decisions series, took an energetic role in the project, acting as reviewer, editor, and mentor. The prospect of Steve's involvement was what lured me to Cambridge, and I have not been disappointed.

Of course, no project as intense and long-term as writing a book can succeed without the support of friends and family. Mark Schindler and Alf Estberg are like brothers to me. A person is lucky to have one great friend in a lifetime. I do not deserve two such as these. I also thank D. Wayne and Larry Love for inspiration on Cold Harbour Lane.

Eric Tyrrell Knott, more than anyone I know, takes pleasure in the success of his friends, and he took an early interest in my project. He is perhaps the only layperson who can use the phrase "à la Tiebout" in dinner conversation (correctly). It is pretty boring dinner conversation, mind you, but still an impressive feat.

My parents, Robert and Joy, gave me every opportunity to succeed and, more importantly, the belief that I could. Together with Lynn, Colleen, Connor, and K.C., they have made my family life a great source of warmth and stability.

Saving the best for last, I thank my wife, Ané, whose love is the one true thing I know. I am privileged to share my life with such a beautiful person.

As I was finishing this book, I was blessed with the birth of my first child, Diego, who is five months old as it goes to press. It will be a long time before he can read this book and longer still before he will want to. So, let me explain it in the simplest possible terms. Daddy wrote this book so the mean people won't fire him. And also for the love of knowledge.