
Who or What Governs?: The Effects of Economics, Politics, Institutions, and Needs on Local Spending

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Abstract

The core question driving the study of local politics is—who or what governs local democracy? After decades of study, researchers continue to debate the relative merits of economic, political, institutional, and bureaucratic accounts of local democracy. By providing a test that incorporates each of these four different theoretical perspectives, that analyzes major spending decisions that cities make, and that includes a large, representative sample of localities, we offer a systematic examination of local government decision making. We find that each of the existing one-sided stories is incomplete. Economic constraints are critical in determining what a government can do but the overall balance between redistributive, allocational, and developmental spending is also strongly influenced by political imperatives, institutional constraints, and actual needs.

Keywords

local government, urban politics, pluralism, elitism, economic competition, Tiebout hypothesis, government spending

One of the core questions driving the study of local democracy is who (or what) governs. From Robert Dahl's *Who Governs? Democracy and Power in the American City* (1961) to Paul Peterson's *City Limits* (1981), there has

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been a longstanding debate about the factors and actors that most heavily influence local policy decisions. A classic line of urban politics thought suggests that elected officials have only marginal control over policy outcomes because of a variety of different constraints, but many others argue (or imply) that voters and the representatives that they select make significant choices about the governance of their cities.

On one side, pluralists contend that local government is open to a wide variety of interests and influences (Browning, Marshall, & Tabb, 1984; Clark & Ferguson 1983; Dahl, 1961; Donovan & Neiman, 1992; Goetz, 1994). Either through the vote or through other types of pressure tactics, residents not only control the outcome of elections but they can also determine the direction of policy. From this perspective, political imperatives largely determine outcomes at the local level.

Others sharply disagree. A range of researchers from Tiebout (1956) to Peterson (1981) maintain that economic constraints largely determine policies at the local level. According to this view, competition across cities for mobile capital means that no one city can afford to levy heavy taxes or to provide generous social welfare benefits to the poor (Minkoff, 2009). Any city that tries to shift policy in favor of more disadvantaged segments of the population risks losing businesses and wealthy residents—an outcome that would ultimately lead to financial ruin. For this reason, these scholars argue, most cities are ruled by growth machines that enact policies that try to ensure greater development (Elkin, 1987).

Stone's (1989) regime theory combines these two approaches arguing that political power is conditioned by economic interest. In policymaking, Stone suggests, the preferences of corporate elites will be prominent, but attenuated by the preferences of elected officials who must attend to their voters' demands if they are to maintain power.¹

To these views can be added new institutionalists who argue that electoral and governmental structures play a central role in shaping outcomes (Pelissero & Krebs, 1997; Sass, 2000; Sharp, 1991; Sharp & Maynard-Moody, 1991) and still others who counter that local government is essentially a bureaucracy that distributes goods and services in a relatively efficient and fair manner (Mladenka, 1980).

Who is right? Despite decades of research and a wide range of studies, researchers have been unable to offer a clear answer to this question. There are plenty of recent empirical studies that squarely point to each of the different perspectives (Choi, Bae, Kwon, & Feiock, 2010; Clinger Mayer & Feiock 2001; Pelissero, 2003; Stein, 2003). In this article, we present a systematic examination of local spending patterns that contributes to our understanding of how local governments work and that offers insights into government

policymaking. Our goal is to try to be both comprehensive and broad. In gauging which factors determine the distribution of local government resources, we incorporate a fairly comprehensive list of the possible influences that have been highlighted in the literature. In assessing local democracy, we shift the focus from particular policy decisions to broad patterns in government spending. Specifically, we ask whether cities devote their limited resources to redistributive programs that can ameliorate the conditions of the poor and the disadvantaged, to developmental endeavors that seek to encourage economic growth and the ongoing economic vitality of a city, or to allocational efforts that improve and extend basic housekeeping services such as parks and garbage collection. By focusing on where cities choose to spend the bulk of their resources, we hopefully get a better sense of their broader priorities.

To provide a test of the different elements that could govern decisions in the urban political arena, we merge together data from a range of nationally representative studies. Specifically, we couple spending data from the Census of Governments with data on local political leanings from the Congressional Quarterly Elections Collection, data on economic conditions, bureaucratic needs, and demographics from the Census of Population and Housing, and data on institutional structure from a series of four International City/County Manager's Association Surveys (ICMA). This allows us to offer a reasonable test of who governs.

Our results indicate that each of the existing one-sided stories is incomplete. Political forces, both in the form of public opinion and political leadership, are critical in determining spending patterns in America's cities, but the overall balance between redistributive and developmental spending is also strongly influenced by economic imperatives, institutional constraints, and bureaucratic needs.

Alternate Accounts of How Local Governments Work

How do local governments make decisions about policy? What constrains those decisions? Whose voices are heard? A good portion of the research on urban politics has been devoted to answering these questions. All this effort has spawned four different and often contrasting accounts of what matters in local politics (see Judd & Swanstrom, 1994; Pelissero, 2003; and Stein, 1990 for overviews of this literature).

Perhaps the most well-known and the most widely supported of these different perspectives is the economic imperatives model developed by Peterson (1981) and others (Buchanan, 1971; Dye, 1987). According to this view, local government decision making is largely a function of economic considerations.

The central driving force in local politics is economic competition across cities (Minkoff, 2009; Peterson, 1981; Tiebout, 1956). To avoid economic and social decline, cities must compete for mobile capital. This severely constrains local governments. Cities cannot tax mobile capital too heavily or redistribute too many resources to less advantaged segments of the population for fear that their actions will motivate businesses and wealthy residents to relocate. Instead they must seriously consider reducing taxes and providing a mix of services that is most likely to attract and/or retain more privileged economic interests. This should, according to most of these authors, result in a progrowth focus and a range of spending policies that encourage economic development (Elkin, 1987; Logan & Molotch, 1987). If this theory is accurate we would expect to see generally limited redistributive spending. Moreover, if we do see expanded redistributive spending, it is likely to occur in cases where cities have an economic surplus and can afford to expend resources on what should be viewed as costly and unproductive programs or in cities that face relatively limited competition from nearby localities.

The main alternative to this economic imperatives model is a pluralist account of urban policymaking. Rather than seeing local government decisions as fundamentally driven by economic constraints, pluralists see local policy as fundamentally driven by political considerations (Dahl, 1961; Donovan & Neiman, 1992; Goetz, 1994; Meier, Stewart, & England, 1991). The key to understanding local decision making, according to pluralists, is to recognize that elected officials need public support in order to govern and win reelection. Because any official who does not heed this public pressure risks losing office, local governments should incorporate the preferences of a range of different citizens when enacting policy. Especially for important decisions that are highly contested by participants from diverse socioeconomic backgrounds, governmental policy should closely mirror public preferences. If, for example, most residents in a given locality favor greater redistribution of public resources, we should expect political actors in that locality to enact measures to increase redistribution. In this way, government should be open to influence from a wide range of groups, even those who do not formally participate in the process (Dahl, 1961).² If pluralists are correct, we should see spending patterns tied to the political environment in cities—including the ideological leanings of voters.

Although the economic imperatives model and the pluralist model represent the two primary accounts of urban politics, at least two other perspectives have been put forward by scholars of local politics. According to a third group of observers, local policy is less a function of economic competition or political preferences and is instead more a function of local needs (Boyle & Jacobs, 1982; Feiock & West, 1993; Lineberry, 1977; Mladenka, 1980; but

see Koehler & Wrightson, 1987). From this perspective, city governments operate in a technically efficient manner and distribute resources and services to those who need them. This is a view of city governments that sees local policymaking as an essentially apolitical process, driven by the services cities must provide. If true, we might expect governments in cities with large poor populations or severely disadvantaged neighborhoods to expend substantial resources on redistributive functions and less on developmental projects.

Institutional structure is a fourth factor that according to many helps to constrain local government decisions (Pelissero & Krebs, 1997; Sass, 2000; Sharp, 1991). Institutionalists do not deny the existence of any of the other factors that have already been mentioned. They do, however, contend that governing structures can also change the nature of the local political game and shape the incentives that local political actors face. This institutionalist perspective comes in two variants: one that focuses on local institutions and another that highlights the degree to which cities are subject to constraints from higher levels of government.

Although almost any institutional lever at the local level could conceivably help to determine government behavior, institutionalist scholars have tended to focus on a handful of key structures. In particular, nonpartisan elections, the city manager form of government (as opposed to the mayor/council form), at-large elections, and the absence of term limits are all viewed by at least some urban scholars as reducing the responsiveness of local government to minority or lower-class interests (Banfield & Wilson, 1963; Bridges, 1997; Clingermyer & Feiock, 2001; Lineberry & Fowler, 1967; Mladenka, 1989; Welch, 1990; but see Morgan & Pelissero, 1980). The logic in each case is straightforward. The argument in the case of the form of government is that replacing mayors with city managers reduces the influence that the mass public has over policy by giving power to a nonelected city manager who can more easily ignore voters. With political considerations diminished, economic concerns could become more influential and local policy could be more aligned with business or moneyed interests who tend to favor greater developmental spending and less redistributive spending. In terms of district versus at-large elections, the claim is that at-large elections give the majority (typically White voters) the ability to vote as a bloc and determine the outcome of every council election over the objections of the minority (typically racial and ethnic minority voters). District elections, by contrast, give minorities the ability to elect council members in districts where they are residentially concentrated and thus a greater chance of affecting local policy. To the extent that this is true, at-large elections should be associated with spending patterns that favor more middle-class White interests. Similarly, term limits

can help to force out the entrenched, typically White leadership and provide opportunities for minorities to win office. Finally, nonpartisanship could sway outcomes either by affecting the representativeness of the electorate or the ability of lower class, minority interests to translate their preferences into electoral choices. Without parties, the argument is that there will be less voter mobilization, which will be especially likely to diminish participation at the lower socioeconomic end of the electorate. Similarly, without party labels it may be especially hard for lower class interests to identify the candidates who serve their interests. If either relationship is true, nonpartisanship will lead to diminished influence by less well off residents which will be followed by an increased emphasis on development and less attention to redistribution. Although evidence for many of these relationships is limited, there is a widespread belief that reform institutions have been instrumental in maintaining middle-class White control in a number of urban centers by depoliticizing the governing process and shaping who wins elections (Bridges, 1997; Judd & Swanstrom, 1994).

Other institutionalists point to the placement of local governments at the bottom of the hierarchy of the federal system as a critical factor in local policymaking (Browning et al., 1984; Erie, 1988; Saltzstein, 1989). Local governments are subjected to a range of laws and mandates that require spending in some areas and limit spending in other areas. Because a quarter of local government revenues are provided by state and federal governments and because much of this federal and state funding is earmarked toward specific functions, local governments may have little power to control the direction of their own spending. Thus, rather than reflect the preferences of local actors, local government spending may be more likely to reflect functional responsibilities imposed by others.

Trying to Determine Who (or What) Wins

Despite enormous attention to this question, developing and testing a model of how local government works has proven to be a difficult task. The problem, for the most part, has been an empirical one. Existing studies have generally been unable to offer tests that simultaneously incorporate each of these different accounts of urban policymaking. The two most seminal studies of this question provide some of the clearest examples of this phenomenon. Peterson (1981), for example, in trying to show that economic considerations predominate includes no measures of political inputs in his analysis of local government behavior. Similarly, Dahl (1961) argues that political considerations are central but fails to incorporate potentially critical economic factors into his analysis. More recent studies have tried to integrate a broader set of

perspectives in their empirical models (e.g., Donovan & Neiman, 1992; Feiock & West, 1993; Goetz, 1994; Schneider, 1989; Sharp & Maynard-Moody, 1991); however, few of these studies manage to incorporate the entire range of potential factors (but see Choi et al., 2010; Craw, 2006; Minkoff, 2009). Practically speaking, until we have a test that puts all of the different alternatives in one model, we cannot know who is right.

An equally important concern is that the few studies that have been able to incorporate each of the different theoretical accounts in one model are generally forced to limit their analysis to a narrow policy area. We now know, for example, that the presence of Black city council members has a measurable effect on minority hiring practices (Kerr & Mladenka, 1994). Similarly, we now have a better idea of which factors govern decisions relating to gay rights (Sharp, 2002). The problem is that we cannot assume that the variables that matter in one subset of the policy arena matter in others. We are, in short, missing the bigger picture. How does all of this add up to shape the overall pattern of local government priorities?

Beyond these two core concerns are questions about sample size. Some of the more intriguing research is hurt by the limited number of cases it includes. We can, for example, follow the process of social services spending in New York City (Boyle & Jacobs, 1982), but will that inform us about decisions on the distribution of parks and other services in Chicago (Koehler & Wrightson, 1987; Mladenka, 1980) and will either case study give us a clear picture of what matters in cities around the nation? Case studies are important and insightful but broader studies are also needed, particularly ones that include smaller cities in which the majority of the American public lives. Choi et al. (2010) probably come closest to offering a comprehensive test that assesses broad policymaking across many cases but even here the analysis is limited by a focus on one state (Florida) and attention to county spending rather than municipal spending. A single state analysis limits the institutional variation that can be tested and counties may not face the same types of competitive pressures that Peterson (1981) highlights. As a result these scholars do not test many of the variables we include here. Given that counties have different responsibilities and priorities relative to cities, and given that Florida politics may be quite different from politics elsewhere a general municipal focused study is still warranted.

Three Steps to Assessing Local Decision Making

How then do we move forward? The first task is to come up with a broad measure of outcomes. There are myriad ways to think about and measure outcomes in the political arena. We can, as many have done in urban politics

in the past, look at the kinds of candidates who win office. Studies of descriptive representation, in fact, abound in the urban politics literature (Alozie & Manganaro, 1993; Bullock & MacManus, 1987). Another alternative is to gauge what kinds of voters end up on the winning and losing side of elections. Do voters from a particular racial group, for example, consistently fail to get their candidates elected? Or similarly, is one political party better able to translate votes into seats than another? The number of articles addressing this topic is equally large (Krebs, 1998; Lieske, 1989; McCrary, 1990; Stein & Kohfeld, 1991).

These are, however, only interim outcomes. It matters which voters win and then who is elected to office but once in office elected officials still need to act. They have to choose which direction to take their city, district, or state. Ultimately what matters is not who is in government but rather what that government does. Scholars have spent considerable effort assessing what local government does. But as already noted, the bulk of these efforts end with consideration of a particular policy decision or with an analysis of a small subset of policy areas. If we want to understand the big picture of who wins and why, we need to provide a measure that delineates the basic priorities of local government.

We argue that one of the best ways to gauge this kind of overarching agenda is to look at where governments spend their money. Cities and other localities have limited budgets and often limited means of raising extra resources. Thus, where cities choose to spend their money is arguably one of the most important indications of their priorities. Money may also be one of the better markers of a program's reach or impact. Unless a local government commits substantial economic resources to a policy, the policy will often have a marginal impact. It is also worth noting that at the local level, municipalities spend a lot of money—almost \$1.5 trillion dollars in 2007 (U.S. Census Bureau, 2007). Where that money goes and where it does not go obviously can have real consequences for large segments of the population. We readily admit that by focusing on spending we overlook a range of equally critical decisions that are undetectable in budgets. Nevertheless, we believe that spending is an important place to start.

Three Spending Categories

Local governments can spend money on any number of different functions or programs. Scholars of urban politics have, however, tended to classify spending into three basic categories (Peterson, 1981; Stein, 1990). According to this traditional accounting, local governments can choose to devote their

resources to redistributive spending, developmental spending, or allocational spending.³ Redistributive policies are those that tend to target and benefit less advantaged residents. They typically include functions like welfare, public housing, health care, and education. Development policy, by contrast, tends to focus on programs which seek to encourage economic growth and the ongoing economic vitality of a city. Developmental spending generally includes outlays for highways, streets, transportation, and airports. Finally, allocational policy is defined as spending on a range of basic city services that can be considered housekeeping services. This typically includes services such as police and fire protection, parks and recreation, and sanitation.

This categorization of spending roughly parallels core divisions in the urban political arena. No demographic group unanimously favors spending in one of these three areas over spending in all others, but there is evidence in the urban arena and elsewhere to indicate that spending priorities diverge across these three categories. Surveys of urban residents and evidence from national polls both show divergent priorities between poor, minority respondents on one hand and more advantaged White respondents on the other. A range of different kinds of surveys all find that poor, minority residents are especially concerned about redistribution and social services, whereas Whites and the middle class are especially concerned about attracting businesses and other aspects of development, reducing taxes, and improving their quality of life through better parks and recreation and easier transportation (Clark & Ferguson, 1983; Deleon, 1991; Himmelstein & McRae, 1988; Lovrich, 1974; Welch, Sigelman, Bledsoe, & Combs, 2001).⁴ Thus, by looking at patterns of spending across these three categories we can begin to assess the factors that affect whose preferences and priorities are met by local governments.

A second key to addressing this longstanding debate is to try to offer a more comprehensive test of local government policymaking. Practically speaking, that means that we have to acquire a range of measures that assess potentially relevant political, economic, institutional, and bureaucratic inputs. No single source contains data on all of these different factors but by merging together data from a variety of different surveys and data sources, we are able to offer a more complete empirical model that directly tests the influence of each of these perspectives against each other on major local government decisions.

The other important step is to test these different theories against a large, representative sample of cities. Fortunately, our data sets allow us to do that. All told, we have data on government spending and the different factors that could affect spending decisions for 7,174 cities across 4 different years (between 1986 and 2001). By fully incorporating each of these different

perspectives against a large sample of localities across the country, we hope to provide an illuminating account of how local government actually works.

Data and Variables

As already mentioned, to understand how these different factors affect government priorities, we analyze the spending preferences of localities across three core areas: (a) redistributive, (b) developmental, and (c) allocational. There is no universally accepted model for placing spending subcategories into these three larger spending areas. Therefore, in each spending area we simply endeavored to include those specific spending subcategories that fit most closely into that spending area. The specific local government functions that we fit into each spending area are as follows: redistributive (public welfare, housing and community development, hospitals, health services, and education), developmental (highways, streets, transportation, and airports), and allocational (fire protection, police, parks and recreation, sewerage, and solid waste).

Obviously, all these subcategories do not fit equally well into the three larger spending areas. In terms of redistribution, public welfare is the subcategory that most clearly benefits the needy. It is also clear that less advantaged segments of the population are more likely than others to rely on public health services and hospitals. We also believe that there is considerable support for the claim that housing and community development funds are generally directed at less advantaged residents (Ferguson & Dickens, 1999; Simon, 2002). Because educational funds regularly serve both advantaged and disadvantaged interests, educational funding is the subcategory that fits least well into the redistributive category. We include it as a redistributive expenditure because many believe that education spending is especially critical for disadvantaged segments of the local population. However, given that educational spending is least closely aligned with redistribution and is the largest single component of redistributive spending, we present additional tests that analyze educational spending separately and present the results in the appendix.

There tends to be less disagreement about which categories constitute allocational spending. Police protection, fire protection, sewage and waste management, and parks and recreation are all clearly basic housekeeping services that fit reasonably well under the rubric of allocational spending. Developmental spending is perhaps the most difficult to define or categorize given existing Census spending categories. Past studies have generally included the range of transportation related functions that we include here (highways, airports, and parking facilities) as the main categories of developmental spending. But we readily admit that there is likely to be significant

development spending in general expenditures within the larger category of capital outlays and in other spending that the Census of Governments does not categorize by function.

Although we had to make some subjective judgments in placing each of the subcategories into the larger spending areas, it is important to note that our basic categorization closely follows two of the seminal pieces in this literature (Peterson, 1981; Stein, 1990) and is generally in line with the best recent empirical work (Choi et al., 2010; Craw, 2006). To further address concerns about spending categorization, we repeated the subsequent analysis two different ways. First, we dropped specific categories of spending such as education that arguably fit less clearly into one of the three larger spending areas. Second, we broke down the larger spending areas into their constituent components and reran the regressions focusing on each single spending category. This secondary analysis generally confirmed our primary analysis.⁵ Our data on spending come from the 1987, 1992, 1997, and 2002 Census of Governments (see U.S. Census Bureau, 1987-2002)—the principal source for local government finances. For each of the three spending areas, we measure the proportion of total government expenditures that goes to programs in that area.⁶

We drop from our main analysis categories of spending (e.g., government administration, judicial functions, interest on debt, insurance, and general expenditures not characterized by function) that are harder to categorize. However, because this “other” category does account for a little less than half of government spending (47%), we do not ignore it altogether. In the appendix, we present an analysis of this leftover spending that suggests that it is linked to many of the same factors that govern redistributive spending.

We merged this spending data with data on the political, economic, and institutional conditions and basic needs in each municipality using four different data sources. The main source for data on local political leadership, political competition, and institutions is a series of four ICMA surveys that went out to municipalities in 1986, 1991, 1996, and 2001. The ICMA is mailed to clerks in every locality in the United States with more than 2,500 residents and has an average response rate of 64% across the four years.⁷ We pool responses from the different ICMA surveys to compile the broadest sample of municipalities.⁸ Because we include all responses to the survey from all four years, our data set includes cases with multiple observations from the same city. To account for the nonindependence of different observations from the same city, we cluster standard errors by city and include year fixed effects in all of the models. By polling city clerks directly, the survey is able to provide relatively accurate measures of local structure and conditions (Hajnal, Lewis, & Louch, 2002).

To determine the relative impact of political, economic, institutional, and needs-based factors in government decision making, we include a lengthy list of independent variables in our model. First, to see if local governments are responding to political considerations and in particular to public preferences, we include one primary measure of the local political preferences, the two party Democratic presidential vote share at the county level (CQ Elections and Voting collection 1984, 1988, 1992, 1996, 2000). We linearly interpolate these data to generate estimates for years that do match our ICMA data.⁹ We expect that more Democratic cities will spend more on redistributive and allocation spending and less on developmental spending. In alternate tests we incorporate into our model measures related to the competitiveness of local elections and the nature of local political leadership. We gauge the competitiveness of local elections with a measure of the percentage of incumbents winning reelection in the most recent council election. One might predict that greater electoral competition would lead to higher levels of government responsiveness to voters and consequently diminished influence by business interests, which might push developmental spending and oppose redistributive spending. Because most cities are nonpartisan, we assess local political leadership with measures of the portion of the city council that is Black, Latino, and Asian American. In these alternate tests, we also examine the role that state-level politics has on local policy decisions by including a variable measuring the partisan makeup of the state legislature collected by Morton, Shipan, and Springer (2007). If political considerations do influence spending, we expect that cities and states led by more Democrats or more minorities will be especially prone to redistributive and allocational spending and particularly unlikely to spend on development.

Second, to account for economic competition and the belief that governments will only expend substantial resources on redistributive functions when they have considerable financial resources and excess spending capacity, we include a measure of overall spending capacity—per capita general revenue. Higher per capita revenue should be associated with greater redistributive spending and diminished developmental spending. Also, because local governments that are more successful at tapping into federal or state funds may have more leeway in spending and may thus be able to increase redistributive spending, we included the total per capita intergovernmental revenue from state and federal governments (Chubb, 1985; Schneider, 1988, 1989). To assess the impact that local economic competition has on government spending, we include two types of measures of competition. In line with Schneider (1989), who argues that the more local governments a city has to compete with the more constrained its own spending will be, we include a

measure of the number of incorporated places in the county (Source: Census Federal Information Processing Codes 2000; see U.S. Census Bureau, 2008).¹⁰ Following Craw (2006), we also distinguish between central cities, suburbs, and other municipalities. One might expect central cities to be relatively unique in their own metropolitan context and therefore less pressured by competition to reduced redistributive expenditures.¹¹ By contrast, the often keen competition between suburbs for new residents and new investments from businesses might signal greater developmental spending and more limited redistributive or allocational spending.

Third, to see if local governments are more technocratic and are simply providing services to those who need them, we include several measures of need. Specifically, our analysis incorporates the poverty rate in the city, the local unemployment rate, and city size. We expect that if spending follows patterns of need that cities with more poverty and unemployment will spend more on welfare, public housing, and other forms of redistributive spending and consequently less on other areas of spending like development or basic city services. We include population size because we expect gains in efficiency from size that should lead to diminished allocation spending and potentially greater redistributive spending. In alternate specifications, we also consider the citywide crime rate, the size of the Black population, and recent changes in the employment rate and in the total population (change over the past 5 years). Demographic data are from the decennial Census with exception of crime figures which are acquired from the City and County Data Book (1986; see U.S. Census Bureau, 1994-2006). We admit that these measures of need are limited. They incorporate only a few of many different aspects of need that bureaucratic administrators might consider and they tend to be more logically linked to the need for redistributive spending than they are for the need for allocational or developmental spending. A full test of a technocratic model of policymaking would have to include a much broader array of needs-based variables.

Fourth, because a range of urban theorists have cited electoral institutions as a central influence on government spending decisions and in particular have pointed to reform structures as particularly unsupportive of minority and disadvantaged interests, we assess the roles of at-large elections (vs. districts), nonpartisan elections, the city manager form of government (as opposed to the mayor/council form), and term limits. If concerns about the bias of reform institutions are warranted, we should see limited redistributive spending and expansive developmental spending in cities with a city manager, nonpartisan elections, at-large contests, and no term limits.

The other larger institutional factor that could affect American cities is federalism. Specifically, each city is subject to different constraints and opportunities that are related to its status in a federalist system (Chubb, 1985; Schneider, 1989; Stein, 2003). We test for four different aspects of that system. To address the possibility that local government spending may be affected by fiscal constraints placed on city government by state law, we control for the existence of a constitutional or statutory limitation on the amount of debt a city may incur, the presence of a state law limiting local property taxes, and the presence of a constitutional or statutory law mandating a balanced budget for the city (source: U.S. Advisory Commission on Intergovernmental Relations, 1993). Our expectation is that these greater constraints on fundraising will limit the amount that cities can spend on redistributive functions and will instead lead to a concentration of resources in developmental projects. As well, to control for the fact that different localities have different spending mandates imposed on them from above, we include a measure of the functional responsibility of the municipality—a count of the total number of specific budget categories (within each of the three broader spending areas) for which a government has any current operating expenditures. Greater functional responsibility in a given spending area should lead to greater spending in that area. Data on local institutional structure are derived from the ICMA survey and the Census of Governments 1987-2002 (see U.S. Census Bureau, 1987-2007).

Finally, we also take into account two different features of the local context. Because the nature of cities differs substantially by location we add dummy variables for each region (West, Midwest, Northeast, and South). We include region to try to ensure that assessments of city level factors are not confounded by distinct regional cultures that have long affected local governments. In alternate tests, we also incorporated several measures of state context including the state political culture (Elazar, 1968), state racial demographics, and the mean ideological and partisan leaning of the state population (Brace, Sims-Butler, Arceneaux, & Johnson, 2002) but found that few of these measures appreciably affected local spending after controlling for region. State-fixed effects also did little to alter the pattern of results we see here. We also add dummy variables for each year of the survey (with 2001 as the excluded comparison year) to allow for shifts in spending across different time periods. We cluster the errors at the city level to account for nonindependence across years. Alternate models in which we clustered errors simultaneously at both the state and city level produced no notable differences. Descriptive statistics for all independent and dependent variables for the city council regressions are given in the appendix.

Spending Priorities in America's Municipalities

Where do local governments spend their money? If we simply focus on average local government expenditures across all cities in the ICMA surveys over the past 15 years, the most notable pattern that emerges is the limited nature of redistributive spending. Of all the money local governments have to spend, on average only 9.6% is directed toward redistributive functions. Moreover, of the limited funds that do go toward redistribution, fully half are directed toward education, which although generally redistributive in nature, can also regularly serve more advantaged segments of the community, particularly in more homogenous cities. The most purely redistributive functions account for a tiny fraction of local government spending. On average, cities spend less than one half of 1% of their budgets on public welfare. Spending on public housing programs (1.7%) and public health (0.7%) accounts for only a slightly larger portion of the average city budget. In short, the poor and the disadvantaged are not the main target of local government spending.¹²

Because the direction of local government spending is in part mandated by state and federal grants, laws, and agencies, these patterns, in some ways, reflect the priorities of state and national government as much as they do local government priorities. Nevertheless, this pattern seems to fit well with the economic imperatives story outlined by Peterson (1981). Cities are generally avoiding spending on redistributive programs that could be viewed as costly and unproductive—at least if one's main priority is attracting mobile capital.

At the same time, developmental spending far from dominates local government expenditures. In fact, spending on highways, streets, transportation, and airports amounts to only 12.4% of local budgets, on average. This may outweigh redistributive spending, but it suggests that cities may not see development and the attraction of capital as their number one priority.

In fact, allocational spending accounts for the bulk of spending across the three categories we examine. Localities spend an average of 31% of their budgets on police and fire protection, parks and recreation, and sewage and waste. We cannot tell from these basic statistics whether localities spend money on these services to attract and retain middle- and upper-class residents and businesses, because they are pressured by voters, or because higher levels of government force them to do so, or simply to meet the needs of their residents. What is clear is that a big part of the job of local governments is to provide basic services to their residents.¹³

What is also clear is that there is enormous variation in the pattern of expenditures across different localities. Whereas the average municipality

spends only 9.6% on redistribution, the standard deviation in redistributive spending across localities is 17.4%. On one extreme, more than 10% of all municipalities spend a third or more of their expenditures on distributive functions. At the other extreme, 10% spend next to nothing on policies such as welfare, health, and housing. And although variation across cities is most pronounced for distributive spending, there is also considerable deviation in spending patterns for developmental and allocational expenditures. Across the nation, the standard deviation for developmental spending is 9.4% and for allocational spending it is 14.4%. Cities do not spend all their money on the same things. Moreover, this variation in spending is not due solely to the different mandates that are placed on local government by the different state legislatures. There is still considerable variation in the allocation of funds for different cities in the same state. On average, the standard deviation in spending within states is 10.2% for redistributive spending, 8.8% for allocation spending, and 8.0% for developmental spending. The within-state deviations fall but only a little. What all this suggests is that there is a lot to explain in terms of local expenditures. In the next section, we attempt to uncover the factors that explain the choices individual localities make. In short, we attempt to determine who or what governs at the local level.

Who or What Governs?

In Tables 1 and 2, we begin our analysis of the role that economic, political, bureaucratic, and institutional considerations play in the local political arena. Table 1 shows the results of regressing each of the three categories of expenditure on the extensive list of independent variables described above. Table 2 then demonstrates the substantive impact of each independent variable as it ranges from the 5th to the 95th percentile.¹⁴

Rather than confirming any single story, these data paint a complex picture. No single theoretical perspective comes close to fully explaining local government decisions. Instead, the table confirms the relevance of each of the different factors. Politics, economics, institutions, and needs all shape local government decisions.

As Table 1 shows, contrary to what many urban theorists have argued there is plenty of room for political considerations to factor into government decision making. More specifically, partisan preferences play a considerable role in determining how local governments spend their money. As one might expect, cities with more Democratic or liberal leaning populations are much more apt to spend money on redistributive programs such as welfare, health services, and public housing and on municipal services such as police, fire, and sewerage. Table 2 indicates that these effects can be quite substantial. All

Table 1. The Effects of Economics, Politics, Institutions, and Need on Spending Priorities

	Proportion of Government Expenditures to ...					
	Redistribution		Development		Allocation	
	Coefficient	SE	Coefficient	SE	Coefficient	SE
Politics						
Public opinion						
Democratic share of presidential vote	0.025*	0.012	0.015	0.009	0.044***	0.015
Economic resources/competition						
Government revenue (per capita)	0.026***	0.006	-0.010***	0.002	-0.012***	0.003
Intergovernmental revenue (per capita)	0.060***	0.014	-0.000	0.006	-0.048***	0.009
Number of places in county	-0.000	0.000	0.000*	0.000	0.000	0.000
Central city	0.013*	0.006	-0.020***	0.003	0.031***	0.006
Suburb	-0.039	0.036	0.005*	0.002	0.051***	0.004
Institutions						
Local institutions						
City manager vs. mayor	0.001	0.003	-0.002	0.002	0.001	0.003
Percentage council elected at-large	-0.005	0.003	0.000	0.002	0.003	0.004
Term limits	0.008*	0.004	-0.003	0.003	0.017**	0.006
Nonpartisan	0.018***	0.004	0.002	0.002	-0.029***	0.004
State and federal institutions						
Functional responsibility	0.033***		0.009***	0.001	0.053***	0.005
Legal limit on debt	-0.009	0.006	-0.004	0.004	0.018*	0.008
Property tax limit	-0.029***	0.005	0.004	0.003	0.011*	0.005
Balanced budget provision	-0.015***	0.004	-0.006*	0.003	-0.015***	0.005

(continued)

Table 1. (continued)

	Proportion of Government Expenditures to ...					
	Redistribution		Development		Allocation	
	Coefficient	SE	Coefficient	SE	Coefficient	SE
Needs						
Poverty rate	0.021	0.025	-0.060**	0.018	-0.176***	0.028
Unemployment rate	0.156	0.096	-0.210**	0.069	0.394***	0.111
Population (millions)	-0.031**	0.012	-0.025*	0.011	-0.040**	0.013
Local context						
West	-0.013**	0.004	0.039***	0.003	0.059**	0.005
Midwest	-0.004	0.004	0.037***	0.003	0.001***	0.005
Northeast	0.041***	0.007	0.018***	0.004	-0.031***	0.006
1986	0.019***	0.004	-0.001	0.002	-0.034***	0.003
1992	0.014***	0.004	-0.009***	0.002	-0.025***	0.003
1996	0.010***	0.003	-0.011***	0.002	-0.010***	0.003
Constant	-0.047***	0.011	0.102***	0.007	0.229***	0.013
R ²	0.344		0.106		0.164	
N	13,185		13,610		13,624	

Note: Figures are coefficient and their standard errors (SEs).

Source: International City/County Manager's Association Surveys 1986-2001, Census of Governments 1987-2002, Census 1990 and 2000.

* $p < .05$. ** $p < .01$. *** $p < .001$.

Table 2. Simulated Budgetary Allocations Effect Moving From the 5th to the 95th Percentile of Each Significant Independent Variable

	Redistribution		Development		Allocation	
	Estimate (%)	Change (%)	Estimate (%)	Change (%)	Estimate (%)	Change (%)
Politics						
Democratic share of presidential vote	6.14 7.07	16*			31.87 33.53	5***
Economics resources/competition						
Government revenue (per capita)	5.06 9.57	89***	12.69 10.96	-15**	33.42 31.29	-6***
Intergovernmental revenue (per capita)	5.57 8.78	63***			33.51 30.93%	-8***
Number of places in county			11.87 12.75	7		
Central city	6.47 7.81	21**	12.28 10.26	-8**	32.41 35.51	10***
Suburb			11.83 12.34	4*	29.97 35.15	15***
Institutions						
Term limits	6.64 5.82	-13*			32.57 34.27	5**
Nonpartisan	5.18 6.97	35***			34.97 32.07	-8***
Functional responsibility	3.30 19.9	603***	11.76 13.51	15***	28.15 33.44	19***
Legal limit on debt					32.58 34.43	6*

(continued)

Table 2. (continued)

	Redistribution		Development		Allocation	
	Estimate (%)	Change (%)	Estimate (%)	Change (%)	Estimate (%)	Change (%)
Property tax limit	8.91	-32***			31.84	4*
	6.02				32.90	
Balanced budget provision	6.84	-32***	12.21	-5*	32.93	4*
	5.30		11.56		31.46	
Needs						
Poverty rate			12.73	-13**	34.57	-16***
			11.11		29.79	
Unemployment rate			12.58	-9**	31.77	7***
			11.43		33.96	
Population (millions)	6.66	-7	12.16	-2*	32.78	-1
	6.42		11.97		32.47	

Note: Estimates produced by running Clarify on regressions presented in Table 1. All other variables set at their mean (for continuous variables) or median (for dummy variables).

* $p < .05$. ** $p < .01$. *** $p < .001$.

else equal, the results suggest that more Democratic cities spend 16% more on redistributive spending than more Republican cities. Political imperatives are anything but irrelevant. Dahl's (1961) assertions about the relevance of the public in local democracy, thus, garner considerable support here.

Alternate tests also reveal that when we expand our test of political imperatives to include measures related to state level political leadership, we find additional political influences. Municipalities in states with unified Democratic state governments (where the governor is a Democrat and the state legislature is majority Democrat) are significantly more likely than localities in either Republican dominated states or divided government states to devote local resources to redistributive programs. Localities in Republican controlled states are significantly more apt to spend on allocation. We did not, however, find similar effects for local political leadership—measured either as the racial makeup of the city council or the proportion of incumbents winning reelection (Analysis not shown).

Interestingly, as Table 1 shows, politics plays less of a role in developmental policy decisions.¹⁵ Because developmental programs are often viewed as disproportionately benefiting privileged interests in society, the fact that developmental spending is not linked to public preferences may be an indication that cities feel they cannot shift away from developmental spending if they want to remain competitive and continue to attract businesses. This certainly fits with Peterson's (1981) claims about the importance of development.

It is clear from Table 1 that economic constraints are also a critical factor driving local spending.¹⁶ As Peterson (1981) and others have suggested, cities are limited in what they can do, if they do not have an economic surplus. In particular, as Table 1 demonstrates, if cities have limited economic resources (as measured by total revenue per capita), policies designed to increase development and economic competitiveness are likely to be maintained or expanded whereas redistribution is likely to experience cuts. The flip side is that the more money governments have to spend, the more generous they can be with redistributive spending. The effect of economic constraints, as Table 2 demonstrates, is substantial. Rich cities spend almost double the amount that poor cities spend on redistribution. By contrast, rich cities spend about 15% less of their budgets on developmental programs compared with cities with limited cash. The source of the money also matters. The more money that cities receive from state and federal sources, the more able they are to use resources for redistributive spending.¹⁷ Cities that garner high levels of intergovernmental revenue spend 63% more on redistributive expenditures than cities with the lowest levels of intergovernmental revenue.¹⁸ Conversely, cities with more limited intergovernmental resources tend to concentrate their spending on allocational services.

Economic competition matters in other ways. It appears that the because of the unique role that central cities play in the metropolitan context they face less direct competition from neighboring municipalities and can afford to spend more on redistribution and basic city services. By contrast, suburbs that have to compete more vigorously with for businesses and attractive residents tend to focus their spending on development.¹⁹ There was also some indication—albeit limited—that another measure of potential competition, the number of localities in the county, did affect local policymaking (Schneider, 1989). Perhaps in an effort to attract more capital and attractive in-migrants, municipalities located in counties with more potential competitors spent marginally more on developmental spending.

The effects of local government institutions are also illuminating. Contrary to expectations, reform institutions do not always lead to decreased responsiveness to minority or lower class interests. The effects of institutions are, in fact, quite mixed. No local institutional structure that we measured significantly affected local developmental spending. And at least one institution had effects that were the opposite of expectations. Nonpartisan elections are tied to more redistributive spending despite the fact that this reform is often viewed as aiding privileged interests in the local community. Only one institutional feature conforms to predictions. The presence of term limits—a reform that supporters believe will allow for more inclusive leadership—leads to a significant increase in redistributive spending. Overall, perhaps the most compelling interpretation of these results is that any given local institutions can serve a range of different interests depending on who is currently in power. As Trounstein (2008) has demonstrated, reform institutions can certainly insulate middle-class White interests from external threats when members of that group have power. But the same institutions can just as easily protect racial and ethnic minorities or other class interests if they gain office in a city. Thus, if we look at all cities, these local institutions tend to have less clear consequences.

Institutional structure is, however, critically important in one another way. Federalism functions as an important constraint on spending. As one would expect, cities spend more on categories for which they have greater functional responsibility. When cities are responsible for all distributive spending subcategories (evidenced by at least some spending in each category), they spend six times more than cities that are responsible for only one out of six spending areas.²⁰ State-imposed measures that limit city level debt and local property taxes and mandate balanced local budgets also strongly shape local government spending decisions. The more that states limit local government spending and fundraising the less local governments are able to spend on redistributive functions. According to Table 2, these two state-imposed measures can decrease redistributive spending by a third. If cities are not allowed

to raise taxes or incur debt, it appears to make it that much harder to expend additional resources on the more disadvantaged segments of the population. Interestingly, these state-level constraints do less to structure developmental spending, which appears to be relatively impervious to state imposed rules.

Lastly, Table 1 also suggests that basic needs have some relevance in spending decisions. Perhaps because our measures of need are somewhat limited, their effects are mixed. We fail to find a significant relationship between the two most basic measures of need—poverty and unemployment—and redistributive spending. But poverty does lead to less of an emphasis on developmental and allocational spending. And, as expected, larger cities that might benefit from greater returns to scale in developmental and allocational spending do reduce spending in these two areas.²¹ One could also reinterpret our earlier finding about central cities and redistributive spending as support for a technocratic account of local government. The fact that central cities devote more resources to redistribution and allocation and fewer resources on development could be because central cities are where the homeless and other highly disadvantaged segments of the population often concentrate and where problems of crime are often the most visible. In fact, removing the indicators of central cities and suburbs makes unemployment and poverty rates significant at the $p = .10$ level in the redistributive model.

In an extension to our analysis of basic needs, we added a measure of the size of the local Black population to the models in Tables 1 and 2. Cities with larger Black populations might have special disadvantages that could warrant greater redistributive spending. We found, however, that percentage Black had the opposite effect. Cities with larger Black populations spend significantly less on redistributive programs. All else equal, city governments provide about half as much on redistribution when the city population is half Black than when it is only 5% Black. Perhaps the best explanation for this is racial discrimination. Large-scale redistributive spending seems to depend on public goodwill that may be absent when African Americans make up the bulk of the needy population.

Overall, it is clear that local government is not dominated by a single model of behavior. Each of the four major theories highlighted in the extensive literature on local politics plays at least a contributing role. Decisions about where to concentrate limited resources are driven by imperatives of the political game, the constraints of economic resources, the needs of the population, and the design of institutions.

As a check on these results, we performed a series of robustness tests. First, because the amount of money that cities spend on any one area may be inversely related to the amount of spending that they direct to one of the two other areas, we repeated the analysis using a seemingly unrelated regression

which specifically takes into account the likely relationship between the different dependent variables. This test did little to alter our findings. Second, given that national economic and political conditions can vary from year to year, we undertook separate analysis of each year in the data set. Given the smaller number of cases, significance levels tended to drop somewhat but this did not lead to a change in our overall conclusions about local democracy. Third, we assessed the model for collinearity and found that only two sets of variables (general revenue and intergovernmental revenue in one case and percentage poor with percentage unemployed in the other) were even modestly collinear ($r > .40$). When we reran the analysis dropping each of these four variables one-by-one, little changed.

Lastly, because there is some variation in how well each of the subcategories of spending that we include fit into each of the three larger categories of spending that we examine, we repeated the analysis two different ways. In one test, we dropped categories of spending such as education that arguably fit less clearly into one of the three larger spending areas. Our results were not significantly altered with these more restricted spending categories. In the second test, we broke down the larger spending areas into their constituent components and reran the regressions focusing on each single spending category. Three interesting sets of findings emerged from this latter analysis. First, despite the fact that educational spending can serve privileged interests and is not always viewed as redistributive, the results displayed in the appendix indicate that educational spending is governed by strikingly similar factors as other redistributive spending. Economics and politics, for example, matter in similar ways. More Democratic cities are more likely to spend on redistribution (although the relationship is only weakly significant [$p = .08$]) and cities with greater influxes of money also tend to be able to devote more resources to redistribution. Second, the politics of allocational spending varied substantially depending on the type of service.²² Whereas more Democratic municipalities spent significantly more on law enforcement and fire protection, they spent significantly less on waste management. This fits well with public opinion data that notes that different segments of the community have different service priorities (Hajnal & Trounstein, 2005; Lovrich, 1974). Areas of allocational spending most closely associated with poor, minority interests—police and fire protection—were most positively affected by having a more liberal or Democratic population. Likewise, services like trash collection that are a higher priority for wealthier communities were negatively associated with a more left-leaning population. Perhaps more interestingly, we found one subcategory of developmental spending where Democratic politics played a significant and negative role. A more Democratic population meant less developmental spending on airports. Because

airport spending is the area of developmental spending that could be the least popular among poor, minority populations who rarely fly, this is the arena where we should expect to find the strongest negative relationship. Given that most cities do not have any fiscal responsibility for airports, however, this last result may be more suggestive than conclusive.

Conclusion

Urbanists have long debated about who or what it is that controls local government decision making. We contribute to this literature by offering a comprehensive test of broad government spending patterns that includes data from almost all municipalities with more than 2,500 people and incorporates explanatory factors from all of the main theoretical perspectives in urban politics. The results presented here suggest that local government spending decisions are more multifaceted than at least some previous accounts have suggested. Local government budgets are a function of a complex interplay of politics, economics, institutions, and basic needs. Municipal decision makers are businessmen reacting to economic constraints. They are politicians and office seekers who listen to the views of the public and the concerns of voters. They are bureaucrats responsive to the particular needs of their resident population. And finally, they are rational actors constrained by the particular features of their local institutional structure. If we want to improve local policy outcomes or even if we just want to understand how certain outcomes are reached in our cities, we need to consider the interplay of all of these factors. Understanding who or what governs the local political arena is important. Although presidential and Congressional elections get much of our attention, urban politics represents a key component of American democracy. Policy decisions at the local level affect citizens in profound and immediate ways (Judd & Swanstrom, 1994; Pelissero, 2003). Local governments control basic services such as public safety, education, and water and make critical decisions about land-use and development. More than a quarter of all government expenditures—more than 1 trillion dollars—are distributed at the local level. It is, therefore, not too much of a stretch to argue that “the functions of government that have most impact on citizens’ daily lives” are within the purview of local governments (Oliver, 2001, p. 15). In short, it matters who wins and who loses in a political arena that touches more and more regularly on the lives of residents. We have only examined one aspect of local democracy—local spending patterns—and thus our work is far from the last word on urban politics. Nevertheless, to the extent that we have helped to figure out how one part of urban democracy works, we may be one step closer to identifying reforms that will improve outcomes for residents in America’s cities.

Appendix. The Effects of Economics, Politics, Institutions, and Need on Education and “Other” Spending

	Education		Other Spending	
	Coefficient	SE	Coefficient	SE
Politics				
Public opinion	0.014	0.007	-0.097***	0.018
Democratic share of presidential vote				
Economic resources/competition	-0.001	0.001	-0.001	0.000
Government revenue (per capita)	0.111***	0.011	-0.029*	0.012
Intergovernmental revenue (per capita)	0.022***	0.005	-0.058***	0.008
Central city	0.000	0.002	-0.041***	0.005
Suburb	-0.000*	0.000	0.000	0.000
Number of places in county				
Institutions				
Local institutions				
City manager vs. mayor	-0.002	0.002	-0.004	0.004
Percentage council elected at-large	-0.005*	0.002	0.010*	0.004
Term limits	-0.003	0.002	-0.012	0.007
Nonpartisan	0.024***	0.003	-0.000	0.005
State and federal institutions				
Legal limit on debt	-0.001	0.003	0.006	0.011
Property tax limit	-0.008*	0.004	0.028***	0.006
Balanced budget provision	-0.008***	0.002	0.041***	0.006

(continued)

Appendix. (continued)

	Education		Other Spending	
	Coefficient	SE	Coefficient	SE
Needs				
Poverty rate	-0.080***	0.019	0.157***	0.035
Unemployment rate	0.173	0.091	-0.277*	0.135
Population (millions)	-0.017	0.011	0.029	0.033
Context				
West	-0.026***	0.003	-0.087***	0.006
Midwest	-0.021***	0.003	-0.033***	0.006
Northeast	0.051***	0.007	-0.067***	0.008
1986	-0.014***	0.002	0.007	0.004
1992	0.008***	0.002	0.019***	0.003
1996	0.006***	0.002	0.009*	0.004
Constant	-0.036***	0.07	0.552***	0.013
R ²	0.323		0.130	
N	13,185		13,624	

Note: Figures are coefficients and their standard errors (SEs).

Source: International City/County Manager's Association Surveys 1986-2001, Census of Governments 1987-2002, Census 1990 and 2000.

* $p < .05$, ** $p < .01$, *** $p < .001$.

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Notes

1. Because regime theory incorporates elements of economic and political accounts, we do not test it separately.
2. While not entirely dismissing the notion that cities have to compete for people and capital, pluralists argue that there is ample room for politics to matter. Either because the constraints of the local economic marketplace are not totally binding or because a wider range of policies can be considered productive, there is considerable space within which city officials can move policy.
3. In the analysis that follows, spending on these three categories accounts for 53% of total government spending on average. Other government functions such as debt repayment, insurance costs, and government administration are more difficult to categorize and do not fit neatly into this scheme.
4. The notion that business interests and other privileged groups regularly seek greater developmental spending is widely supported in the urban politics literature (Logan & Molotch, 1987).
5. Our primary focus is not on these smaller subcategories of spending because we believe there is too much noise in these smaller, more specific categories. Variability in functional responsibility across cities means that many cities are not responsible for many of the specific subcategories. Many cities, for example, have no airport spending and others do not control education. By aggregating to the three larger spending areas, we average out at least some of this noise.
6. We considered looking at change over time in spending practices within a specific city but chose to look at total current spending for two reasons. First, because cities only shift a tiny fraction of their budget from category to category over the course of a year or two, focusing on these changes would ignore the bigger picture. Second, small yearly shifts in spending represent—almost by definition—deviations from the basic pattern of spending and thus might be a poor indicator of city's core priorities.
7. In each year, the population of the localities that respond is fairly representative of the national urban population. (Aghion, Alesina, & Trebbi, 2005). A comparison of the spending patterns of ICMA cities with municipalities that did not

- respond to the ICMA indicates that the IMCA sample is representative on our key dependent variables as well.
8. The 7,174 municipalities included in the pooled data set represent an almost complete set (approximately 80%) of the nation's municipalities.
 9. Although county boundaries do not always conform well to city geographic boundaries, we performed additional analysis that suggests that the county presidential vote provides a reasonable approximation of city preferences. Specifically, we compared the city level and county level presidential vote for the largest 100 cities and for all California cities. The county and city vote were correlated at .84 at the national level.
 10. In alternate tests, we also included the number of cities in the local Standard Metropolitan Statistical Area (SMSA). The results were nearly identical.
 11. Of course, lower competition is not the only way central cities are different from other municipalities. Spending in central cities could be different from other municipalities for any number of different reasons. The fact that central cities typically already have a developed downtown might, for example, mean that they have less of a need for extended development efforts.
 12. These figures are for localities in the 1986 to 2001 ICMA surveys. There is no stark pattern of change between the different years of the survey.
 13. One concern is that by focusing on municipal spending, we ignore the substantial spending that is in the hands of special districts. That missed spending could bias the results that we see here. However, it is important to note that nationally special districts expenditures amount to only a third of municipal government expenditures. Special district do, however, focus their expenditures somewhat differently than municipalities with 29% going to redistributive functions (the bulk of which is hospitals), 12% going to development, and 7% for allocational spending. This may not affect city spending though as Berry (2008) provides substantial evidence that jurisdictional overlap increases both taxation and spending rather than acting as substitutes.
 14. To assess the effect of each variable, we used a simulation procedure developed by King, Tomz, and Wittenberg (2000). All other variables are held constant at their mean or modal value.
 15. Alternate tests also reveal no link between state or local political leadership and development spending.
 16. In additional tests we found that neither potential resources (measured as median household income) nor recent gains in resources (measured as change in total revenue, change in intergovernmental revenue, and change in household income—all over the past 5 years) had clear and significant effects on spending.
 17. Alternate tests, which separated state and federal transfers, indicated that both were positively and significantly related to redistributive spending (not shown).

18. The relationships that we see between intergovernmental spending and city spending could either be because state and federal transfers give cities more money and thus more flexibility (an economic influence) or because the money from higher levels of government is earmarked toward particular programs (a political imperative). To try to test these two alternatives, we broke down intergovernmental transfers by area of spending. Our results suggest that the earmarking influence is more important.
19. The difference between central cities and suburbs goes beyond what we see in Table 1. When we looked at spending decisions in central cities and suburbs separately, we found that the factors that govern decision making in the two types of localities differed somewhat. In central cities, political imperatives play a larger role, whereas in suburbs factors such as the partisan leaning of the population are generally insignificant. In suburbs, economic concerns seem to dominate more. This may all be an indication of heightened competition between suburbs.
20. To further ensure that state-imposed functional responsibilities are not responsible for the results we see in Tables 1 and 2, we reran the analysis using state-fixed effects. None of the basic conclusions changed.
21. It is less clear why larger cities spend less on redistribution.
22. All subcategories of redistributive spending were either significantly or nearly significantly related to partisan preferences.

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