

---

# Rightsizing Los Angeles Government

---

◆

RONALD OAKERSON AND SHIRLEY SVORNY

The attempt by San Fernando Valley and Hollywood residents (numbering more than 1.3 million) to separate from Los Angeles (nearly 4 million) is the most recent manifestation of discontent with municipal structure in the greater Los Angeles area. The grassroots secession effort began in the mid-1990s and culminated in an election defeat in November 2002. Although the ballot proposition won support from valley voters (51 percent), it failed to secure a majority of votes across the city as a whole, a state-mandated condition for passage. This effort is not the first toward establishing a separate city in the San Fernando Valley. In 1976, a group of valley activists, under the banner of the Committee Investigating Valley Independent City/County (CIVICC), sought independence, but their attempt was stymied when state law was strategically amended to require Los Angeles City Council approval before the effort could move forward.<sup>1</sup>

In an effort to deter secession, the Los Angeles Charter Reform approved by voters in 1999 included provisions for the Department of Neighborhood Empowerment and Neighborhood Councils. By July 2004, more than eighty councils had been established. These councils, however, have no independent authority.

Time and again, Los Angeles has toyed with the idea of devolving authority to a system of borough governments. In 1909, Los Angeles wanted to annex the harbor communities of Wilmington and San Pedro. To induce the residents to agree, the city charter was amended to allow boroughs. In 1925, in response to concerns of residents

---

**Ronald Oakerson** is professor of political science, academic vice president, and dean at Houghton College; **Shirley Svorny** is professor of economics at California State University, Northridge.

1. In the late 1990s, secession proponents lobbied the state legislature to eliminate the veto power of the Los Angeles City Council. In exchange, they accepted a double-majority requirement: the ballot initiative would need to be approved by a majority of voters in the valley and by a majority of voters in the city as a whole.

in the San Fernando Valley and Harbor areas, the newly approved city charter included provisions for boroughs (McCarthy et al. 1998).

At many stages in the city's history, the authority to establish boroughs was offered to dissipate complaints. Yet each time an attempt was made to set up boroughs, city government blocked the effort (Fox and Lelyveld 2002).

The most recent borough proposals came as part of an effort to head off the San Fernando Valley and Hollywood secession efforts in 2002. One of the proposals came from former California State Assembly speaker Bob Hertzberg. In April 2004, Hertzberg announced his candidacy for the office of mayor. As a result, the borough debate is likely to resurface.

These efforts point to an underlying problem of "rightsizing Los Angeles" that is not going to go away. Rightsizing is at bottom a problem in the distribution of local authority to act. Specifically, it involves assessing and adjusting the *scale* at which it is appropriate to exercise authority to act on behalf of specific local communities. In this article, we first consider the issues of scale, authority, equity, and participation. We then draw conclusions with respect to Los Angeles and propose solutions.

## The Role of Municipal Government

What we call "local government" is primarily an arrangement that allows the residents of a locality to act collectively to deal with collective problems. Local authority is the authority to act on behalf of specific local communities—specific places. Rightsizing therefore needs to be understood in relation to specific problems and places.

In Los Angeles, municipal authority is vested in elected and appointed officials, city departments, and agencies that operate far removed from the neighborhoods they serve. Opportunities for community groups to exercise authority over service provision are extremely limited. The severe limitation of variable local control is at the root of recent efforts by residents to reconstitute Los Angeles—be it through proposals for municipal boundary revisions, subcity governments or boroughs, or the establishment of neighborhood councils.

It is somewhat astonishing that anyone might think of a place the size of the city of Los Angeles as a single community that requires only a single scale of collective action among residents. Local governance pertains for the most part to solving place-specific problems. The number and diversity of place-specific problems to be found in an area the size of Los Angeles is simply staggering. Robert Bish wrote of Los Angeles, "People in Watts and Hollywood have preferences for public goods and services that differ from those of the majority of citizens in Los Angeles. [These areas and others] are, however, political nonentities with no formal mechanism for making their requirements felt in the city's political system" (1971, 92).

The appropriate scale at which to authorize collective action is one that adheres to the principle of *incentive compatibility*. The authority to deal with collective problems should be assigned at the scale that maximizes the incentive to act responsively.

The city of Los Angeles currently reflects an *exclusively* large-scale approach to collective action.

In general, local jurisdictional boundaries should be drawn so as to motivate officials to act in response to residents' concerns, while encouraging the resident to participate in governance and oversee officials. In large cities, municipal officials often lack strong incentives to act in relation to the problems of specific neighborhoods.<sup>2</sup> Municipal officials tend to focus on citywide issues and to view neighborhood problems in that light.

For those interested in rightsizing Los Angeles, the issue is one of matching the authority to make provision for services to the size and shape of the problems being dealt with. One size does not fit all, nor does it have to. The scale at which services are provided—selected, financed, and procured through a governmental mechanism—does not have to coincide with the scale at which services are organized for the purpose of production and delivery to residents. Once a set of authoritative “provision units” has been established that appropriately captures residents' preferences, production can be organized so as to capture the diverse economies of scale associated with various services and service components and linked to provision units through a variety of arrangements that include contracting.

If rightsizing is to occur, rules of governance must be modified to allow residents flexibility in organizing various units of local government and in selecting service producers. Such flexibility would facilitate the transfer of service-provision authority from city hall and the central bureaucracy to local decision makers more responsive to local residents.

Advocates of municipal consolidation laud the benefits of an overarching government (see Sharpe 1995, esp. chap. 2). However, a singular metropolitan *government* is less suited to solving the multitude of local problems than is a process of metropolitan *governance* that embraces multiple jurisdictions. First, metropolitan government limits the residents' participation and oversight. Second, it presumes an overlying layer of government of a size and shape appropriate for all regional issues. In an area such as Los Angeles, however, metropolitan issues do not conform uniquely to one set of common boundaries. For example, the boundaries relevant to transportation and pollution issues, both generally seen as regional concerns, do not coincide. Metropolitan governance is best when it is structured to take advantage of the organized efforts of private individuals and public officials who align themselves in a variety of ways to deal with issues of collective importance.

## Economies of Scale and Municipal Boundaries

Economies of scale vary across the range of services that city governments provide. Some services, such as police patrols, exhaust economies of scale relatively quickly.

---

2. Fischel (2004) emphasizes the value of local government to homeowners in protecting residential property values through land-use planning.

Others, such as pollution-control efforts, benefit from larger regional actions. For most public services, economies of scale in production are exhausted fairly rapidly as cities grow in size.

The scale at which the City of Los Angeles produces services is far beyond that thought to exhaust economies of scale. Research suggests that economies of scale are limited to 50,000 to 200,000 residents, depending on the service (Hirsch 1968; Svorny 2002 surveys the literature). Syracuse University economist John Yinger, author of several studies examining the production of municipal services, has concluded: “there is no evidence of economies of scale . . . at very large city sizes. It makes no sense to oppose [breaking up Los Angeles] because of economies of scale” (personal communication, June 2002; see also Duncombe and Yinger 1993).

Rather, *diseconomies* of scale become evident in large cities, where costs of communication and coordination are relatively great. These diseconomies are less well measured because only a few very large cities exist in the United States, and variations in service conditions among these cities make it difficult to assess whether high costs reflect diseconomies of scale or conditions particular to a city. The high cost of government and the lack of attention to basic services in Los Angeles most likely reflect the difficulties of coordinating procurement and production of services on such a broad scale.

Inevitably, municipal government boundaries are appropriately sized for some services and not for others, which suggests the advantages of decoupling service production from service provision or procurement. Drawing on the pioneering work of Ostrom, Tiebout, and Warren (1961), whose research on metropolitan organization was done primarily in the Los Angeles area, Ronald Oakerson (1999) argues that municipal government should be organized on the basis of *provision* rather than *production*.

*Provision authority* includes making decisions about raising revenue and how to spend it—in other words, deciding on the set of services that are to be provided with public funds. It also includes the authority to make rules governing behavior (zoning and rent control, for example). *Production* refers to the actual process of producing and delivering the services on which authority has decided.

If governmental units are not appropriately sized to *produce* certain services for which they have provision responsibility, they can make alternative arrangements for production, including contracting out or joining with other local governments to produce services. Responsibility for production may or may not be assigned within the public sector. An extensive series of studies of police departments of varying size concludes that the most efficient systems combine immediate response services at a relatively small, local level with various support services provided on a larger scale (Ostrom and Parks 1999). The result is an industrylike structure that combines small-scale, in-house production of some service components with larger-scale production of other components, linked through cooperative or contractual arrangements.

Where regional efforts are necessary, associations of municipal governments can be formed to oversee the effort, frequently coupled with the formation of special-

purpose districts.<sup>3</sup> Overlying units of governments—in particular, counties—also provide regional provision and production capabilities.

In Los Angeles County, it is more common than not for cities to contract with other cities, the county government, or private vendors for the production of services. Nearly two-thirds of the eighty-eight cities in Los Angeles County are “contract cities.” In Orange County, Dana Point (population 35,000) buys police services from the Orange County Sheriff’s Department, animal services from the Coastal Animal Services Authority, and a number of services from private contractors.<sup>4</sup> In northern California, the cities of Oakley, Orinda, Lafayette, Danville, and San Ramon contract with the Contra Costa County Sheriff’s Office for individualized services.<sup>5</sup>

If small, adjacent communities are unable to produce a service component independently, they may be able to do so jointly. An example in southern California is the Verdugo Fire Communications Center, which functions as a regional dispatch center for nine cities (607,000 residents). The center follows a “no borders” policy, which means that when a fire occurs, the closest station responds. The cities also share specialized equipment and specialty units, such as Urban Search and Rescue.<sup>6</sup> Many such arrangements exist throughout metropolitan America (specifically in the area of policing, see Ostrom, Parks, and Whitaker 1978; Ostrom, Bish, and Ostrom 1988; Oakerson 1999, esp. chap. 4).

Furthermore, residents’ preferences may dictate a scale of production below the one that is efficient on the basis of cost alone. Consider a community too small to capture economies of scale fully in the production of services such as police patrol or garbage collection (perhaps fewer than 30,000 residents). The choice may be between services tailored to the community, produced with some inefficiency, and services produced more efficiently by a large-scale producer, yet less well-suited to the particular community. The extent to which a community’s needs are distinct and its preferences strongly held determines whether the former alternative or the latter better serves residents.

### *Subcity Units*

One option for rightsizing Los Angeles involves shifting provision authority to subcity units, such as within a “borough” system or through the creation of business and neighborhood improvement districts. Subcity units need provision authority—in par-

---

3. Counter to arguments that transportation benefits from regional oversight in the Los Angeles/Long Beach metropolitan area, the Los Angeles Metropolitan Transportation Authority (MTA), which serves the area from Long Beach to North Los Angeles County, has failed to meet transit needs. In Los Angeles, when San Fernando Valley officials and community leaders threatened to seek an independent, locally controlled bus district, the MTA countered with a plan to decentralize authority (Liu 2002).

4. See [http://www.fcgp.org/publications/policy\\_notes/hpg/local\\_government\\_models/sept2297.html](http://www.fcgp.org/publications/policy_notes/hpg/local_government_models/sept2297.html).

5. See [http://www.cocosherriff.org/Patrol\\_division.htm](http://www.cocosherriff.org/Patrol_division.htm). A lieutenant is assigned to each of these cities and acts in the capacity of chief of police. Officers in each city wear distinctive uniforms.

6. See <http://verdugo.ci.glendale.ca.us/history.html>.

ticular, the authority to arrange for the production of services by either in-house or outside contracts. Otherwise, they cannot respond independently to their collective problems.

As mentioned earlier, the Los Angeles Charter Reform that became law in 2000 included provisions for establishing Neighborhood Councils. However, the Neighborhood Councils, as fashioned, fail to devolve any important aspect of provision authority to subunits in Los Angeles.

Borough or subunit boundaries should not be difficult for residents to revise or modify over time. Institutional change is to be expected when communities undergo upheaval, as the extent of homogeneity of tastes in a community changes, or as costs of operating provision units of various sizes change (Oakerson 1999; Clingermayer and Feiock 2001). Flexibility in boundaries allows the evolution of communities that respond to residents' preferences and to issues of efficiency in service provision.

A broad range of powers can be vested in boroughs, allowing decisions with a decidedly local impact (for example, street maintenance and street policing) to be made by elected local borough representatives. Issues remaining for the citywide council to handle would be those with citywide effects, including certain zoning decisions that have citywide impact, many transportation and infrastructure needs, the resolution of conflicts among local communities, and the provision and possibly the production of key support services.

It should be possible to treat municipal subunits as special tax districts for some purposes. Although the central city would have to approve such local taxes, if subunits are understood to have general responsibility for providing certain services, such a system can work. We already see this process at work in the case of business improvement districts (BIDs), where businesses agree to an incremental tax assessment and decide collectively how the funds are to be used. A mechanism for the creation of similar districts in residential neighborhoods, for purposes such as neighborhood improvement or added security, would enable residents to act collectively in response to common problems.

## Getting the Incentives Right

In considering a system of local governance, the *authority* to act (to deal with a problem) ought to be located where greatest *incentive* to act exists—on the part of both the officials and the community they represent. When officials represent an extremely large and heterogeneous community, with diverse problems affecting multiple neighborhoods, the incentive for officials to act on any one set of problems is relatively weak because only a small portion of their constituents is affected. Incentives are much stronger when a majority of the official's constituents is affected by a given problem.

In Los Angeles, the city council's attention is drawn to high-stakes issues, such as labor issues or plans for commercial development. Issues that have citywide effects

(such as the living-wage ordinance) and pronouncements on national public policy or social issues (recently, whether a pet owner is to be called a “guardian,” for example) occupy the city council. This tendency draws attention away from issues that municipal government should have on the front burner, such as the efficacy of neighborhood policing and progress on needed street maintenance.

Los Angeles is not unique; large cities suffer for the most part from collective *inaction* on a plethora of local collective problems. This neglect occurs because officials who operate at an extremely large scale have little incentive to deal with problems that people who operate at a smaller scale find important. Such problems are often considered petty—a nuisance to public officials and too trivial to command their attention. The deterioration of cities derives primarily from the accumulation of such petty problems that go unsolved. No city can be governed effectively without officials who have strong incentives to tend to small-scale, minor problems.

In large cities, the scale and resulting internal complexity of government deter individuals who might otherwise monitor government from participating in the process. By raising the costs of participation, large municipal governments effectively erect a barrier, discouraging even the most assiduous community activists.

As an illustration of the disconnect between policymakers and residents in Los Angeles, consider how in August 2002 city officials announced plans to spend \$8 million to replace streetlights along seventeen miles of Ventura Boulevard in the San Fernando Valley. Affected residents had not been consulted. Some lamented the homogeneity of the lights because communities along the boulevard have been working to establish distinctive identities for years (Nash 2002). One neighborhood, Tarzana, at its own expense had added identifying symbols to its streetlights, and those symbols were to be eliminated with the replacement lights.

Why did city officials neglect weighing local residents’ needs? The distance from actual circumstances puts officials at a disadvantage in making decisions about resource use. Even when incentives are not weak, information may be much too poor to allow *appropriate* action. Dealing with place-specific problems requires what economists call “information of time and place” if officials are to make decisions that use resources in ways that effectively meet local residents’ needs (Hayek 1945). Large urban bureaucracies are notoriously poor at aggregating and disseminating place-specific information. Prior to citywide elections on the detachment of the San Fernando Valley and Hollywood from Los Angeles in 2002, the Los Angeles County Local Agency Formation Commission made repeated requests to the Los Angeles City Council to account for the city’s assets. It could not do so, however, nor could it provide a detailed assessment of services provided to neighborhoods across the city.

In order to get the incentives right, it is important that municipal government boundaries be formed on the basis of provision criteria, rather than production criteria. Each provision unit ought to reflect a relatively coherent community of interest formed around a place and its problems. Provision units need not be uniform in size. Existing social capital is also important in defining the boundaries of provision units—

choosing boundaries that define a community accustomed to thinking of itself as a community.

The increasing popularity of BIDs across the United States illustrates the point nicely. A BID is an arrangement that allows a small, self-defined, place-based community to exercise collective authority. BIDs work precisely because their members have strong incentives to solve their collective problems—from keeping sidewalks clean to discouraging illegal activity—incentives that are stronger than those found in city hall.

In Los Angeles and elsewhere, many problems require collective action at a scale larger than a BID, but much smaller than the entire city. The incentives to take action on these problems are too weak, or information is too poor—hence, the lack of action on issues that local residents would like to have resolved. Frustration in this regard accounts for efforts to break up the city and for proposals to create a system of boroughs in Los Angeles.

When the incentive to act and the information needed to act effectively converge, as in the case of most neighborhood-level problems, the appropriate assignment of authority is unambiguous. For some problems—such as certain transportation issues—the incentive to act is citywide, but some of the relevant information is highly dispersed. Here a case can be made for citywide (or metrowide) decision making together with neighborhood participation—a more costly process.

Community-level decision making may give rise to some spillover effects. Because specific neighborhoods have relatively weak incentives and poor information for taking spillovers into account, a case can be made for citywide decision making aimed at reducing the scope of conflict among neighborhoods and resolving conflicts when they arise.

The general point is that urban problems come in various sizes and shapes, requiring multiple, nested jurisdictions to deal effectively with them in all their diversity (Parks and Oakerson 1989). Over time, flexibility in the rules of governance that facilitate reorganization is important because rightsizing is a never-ending process.

At present, California residents face substantial constraints on rightsizing. State law constrains municipal boundary revisions with costly and prohibitive requirements. Petitioners must submit signatures from 25 percent of registered voters. State-mandated, county-level Local Agency Formation Commissions are responsible for assessing the fiscal effects of boundary revisions, among other things. Residents are not permitted to judge the findings for themselves; county officials decide if the initiative will be presented to voters. Even if voters want to vote for an independent city that is expected to face fiscal challenges, such voting is not permitted.<sup>7</sup>

As community boundaries shift and new problems emerge, the structure of a local public economy must be open to change if the principal of incentive compatibility is to be honored. Adaptability is the key systemic characteristic to build into a local public

---

7. Residents of the Los Angeles Harbor area, who submitted the required signatures in 1999, were denied a vote on detachment and reorganization as an independent city after a review of the expected fiscal impacts by the Los Angeles County Local Agency Formation Commission.

economy. What is needed is an institutional dynamic that is always searching for the right scale at which to act. This dynamic requires multiple opportunities for public entrepreneurship, on various levels—from regional to very local—and therefore depends on the dispersion of authority to act among various places or communities.

### **Encouraging Civic Participation**

Research by Eric Oliver (1999, 2000) emphasizes the relevance of municipal boundaries to civic participation. He argues that municipal boundaries define communities and finds that, all else being constant, smaller places are “civically richer.” Using data from the 1990 Citizen Participation Study, he finds civic activity to be higher in smaller cities, regardless of the metropolitan context.

To illustrate, Oliver notes that the residents of Santa Monica, California, which is located in the Los Angeles metropolitan area, are as likely to participate in local civic activities as residents in identically sized Sioux City, Iowa (both have approximately 85,000 residents). Santa Monica is located in a metropolitan area twenty times as large as Sioux City’s. He concludes, “Despite the fact that boundaries in many metropolitan areas are invisible amid a continuous urban sprawl, they nevertheless influence the behavior of residents within them” (2000, 371).

Holding size (and other factors) constant, Oliver (1999) finds participation to be lower in municipalities where residents are more economically homogeneous. This finding suggests the relative efficiency of local government decision making where residents have similar tastes and preferences. Homogeneity of tastes reduces the need to participate because decisions made by a few reflect the preferences of the many. The point of local government is not to maximize resident participation, but to enable residents to participate effectively as needed.

### **Institutional Rules and Responsive Government**

Large cities generally stifle public entrepreneurship, a necessary precondition to bringing local interests to political decision making at the municipal level. One solution is to allow residents to redefine service-provider boundaries as needed, to adapt to changing service conditions, and to encourage and reward public entrepreneurship.<sup>8</sup>

The 2002 secession effort in Los Angeles illustrates the point that the ability to redefine boundaries encourages participation. Prior to 1998, residents interested in modifying the municipal boundaries of Los Angeles were constrained by the state law that gave the Los Angeles City Council veto power over detachments. When the veto power was eliminated, local public entrepreneurs invested their own time and energy to organize groups to examine the detachment issue in detail. Three groups—Valley

---

8. The most extreme version of this solution would be the type of purely “voluntary city” proposed by Foldvary (2001).

VOTE, Hollywood VOTE, and Harbor VOTE—were formed and eventually provided the impetus to move the secession effort forward.

Limits to boundary revisions not only stifle public entrepreneurship, but also bestow some degree of monopoly power on local governments, freeing them to act in ways that fail to take into account residents' preferences. In California, when existing city and county governments were given control over the formation of new municipalities in 1963, fewer municipal governments were formed, and municipal-government spending increased more than in comparable cities outside California.<sup>9</sup>

Institutional rules of governance affect the set of participants taken seriously and the scope of issues citizens can influence (Clingermayer and Feiock 2001). In establishing rules to govern municipalities, the objective should be to set forth rules of governance that give residents flexibility in adjusting to changing and diverse community needs. This view stresses the role of local civil society in promoting public entrepreneurship.

Many communities in Los Angeles already have their own distinct civil society, including active homeowner associations and business and political groups. These associations are poised to facilitate discussions about public services. Yet the centralization of provision authority in Los Angeles has long excluded members of these organizations from participating fully in decisions that have a direct impact on their everyday lives. A basic step in rightsizing government in Los Angeles is to restructure government so that it corresponds more closely to the structure of civil society.

### **Voluntary Intergovernmental Associations**

On the local and regional level, a decentralized metropolis will generate voluntary associations of public officials and local governments (Parks and Oakerson 1989, 1993). These associations become forums for the continued discussion of rightsizing in relation to specific problems and services or service components. Daniel Elazar refers to this network of organizations as the “civil community” (1972, 183–92). It provides the basis for what Oakerson (1999) has called a “civic metropolis.”

Throughout metropolitan America, municipal leagues, associations of local officials such as police chiefs and fire chiefs, and councils of governments provide areawide or subregional forums for the discussion of common problems and the negotiation of differences. Such deliberation frequently leads to new state legislation that codifies a local settlement into state law that applies uniquely to a particular metropolitan area (Oakerson and Parks 1989). Or discussion may lead to the creation of an areawide agency, such as a police academy or a joint task force among law enforcement agencies. Similarly, local government associations often join with areawide civic organizations to promote economic development. The successful revitalization of Pittsburgh was based on precisely this sort of public-private collaboration not just within the city of Pittsburgh, but across Allegheny County (Parks and Oakerson 1993).

---

9. Martin and Wagner (1978) studied the effects of the 1963 Knox-Nisbet Act.

As an example of an effort led by the civil community in Los Angeles, Ostrom, Tiebout, and Warren (1961) point to the now decades-old success of a coalition of Southern California communities in arranging to bring Colorado River water to Los Angeles. More recently, in Los Angeles, nine political jurisdictions cooperated to facilitate the construction of the \$2.4 billion Alameda Corridor, a twenty-mile project linking the ports of Los Angeles and Long Beach to train yards downtown (Sahagun 2002). In another example, the San Francisco Bay Area, a nine-county regional area with more than one hundred cities, joined its component governments to bid on the 2012 Summer Olympics (Alexander 2002). Plans included facilities in at least ten Bay Area cities and an expansion of the Bay Area Rapid Transit subway system from San Francisco to San Jose. In each case, voluntary associations of governments and private interests have worked together to move these efforts forward.

### Fiscal Equivalence and Fiscal Equity

Rightsizing brings up what some consider to be conflicting goals: fiscal equivalence and fiscal equity. *Fiscal equivalence* requires that communities spend their own money and bear the fiscal impacts of development decisions. When city managers are spending their own tax revenues, they will carefully weigh alternative uses. When communities spend pooled general funds, as in Los Angeles, everyone is always spending someone else's money.

With respect to development decisions, fiscal equivalence demands that tax revenues generated by a new commercial development go directly to the neighborhood in which the new development is located. Decisions on issues such as the location of commercial and residential development must have a direct fiscal impact on decision makers to elicit fiscally sound responses. With fiscal equivalence, residents and their representatives have a stake in putting land to its highest-valued use. Fiscal equivalence is desirable for fostering the efficient use of a community's resources.

In large cities with pooled general funds, fiscal equivalence may be approached by means of deals that require a developer to provide specific benefits to the neighborhood in which the development will take place—street widening, land for a school or a park—or other in-kind transfers. Alternatively, the increment to a city's revenues associated with economic development can be assigned to the affected community directly, with no central-city authority governing the way in which the funds are spent.

Individuals concerned with *fiscal equity* oppose calls for strict fiscal equivalence. Fiscal equivalence requires municipal boundaries that are relatively narrow, isolating an area of common interest for tax revenue and spending decisions. Fiscal equity is thought to require boundaries broad enough to facilitate the redistribution of tax revenues from relatively richer to relatively poorer neighborhoods.

Of course, the fact that a city is large and has the potential for fiscal equity (redistribution) does not assure that it will occur. Metropolitan governments ignore poor neighborhoods with impunity. Poor people are less likely to vote. Also, poor people

are more transient; they are less likely to apply pressure for improved services and community amenities. Critics suggest that redistributive transfers at the federal level benefit the rich predominantly. Max Neiman points to the “immense subsidies directed at middle-class homeownership and the auto-based system of transportation . . . which serves primarily suburban commuters” (2000, 190). Why should we expect the direction of subsidies to be any different at the local or metropolitan level?

Fairness can come only from increasing the level of neighborhood oversight over the provision of public services in poor neighborhoods. If those neighborhoods do not have control over services provided in their communities, any transfer of funds from the rich to metropolitan governments may be used in ways that hardly benefit the poor at all. As Oakerson notes, without local control over how to arrange for production, “poor communities . . . may see their scarce resources consumed by urban bureaucracies that return little benefit” (1999, 100).

Neiman (2000) writes that metropolitan governments are uniquely placed to manage the externalities that create serious problems for the law-abiding poor (including crime, deteriorating neighborhoods, and environmental pollution). He suggests that by establishing common areas where issues can be raised, as with metropolitan government, some of these problems can be solved.

If anything, however, Los Angeles makes the case that a common government is *not* responsive to the needs of the poor. Poor neighborhoods in Los Angeles are plagued by crime, garbage, graffiti, and streets in disrepair (some streets flood so badly when it rains that children cannot get to school). Some roads in poor neighborhoods are unpaved and lack streetlights, increasing the difficulty of apprehending criminals. Yet the Los Angeles City Council allocated millions of dollars to bring the 2000 Democratic National Convention to Los Angeles.

In poor neighborhoods of South-Central Los Angeles, parking on major arteries is limited in order to facilitate access to the downtown area by commuters from the south. Local business and community activities are disrupted. No rich neighborhood would stand for such treatment.

In the relatively poor northeast portion of the San Fernando Valley, the small independent city of San Fernando (24,000 residents, 2.4 square miles surrounded entirely by Los Angeles) stands out as an example of what nearby areas might expect from local control over the *provision* of municipal services. Not long ago, Los Angeles residents in neighborhoods adjacent to San Fernando, dissatisfied with city services, expressed an interest in detaching their neighborhoods from Los Angeles and joining them to San Fernando. Clearly, this interest in detachment brings a reality check to the premise that poor neighborhoods benefit from common metropolitan government.

Downsizing government would benefit poor communities in two ways. First, it would improve oversight and local control. Second, it would make clear what services are provided. Wealthier areas of Los Angeles—such as Bel-Air, Brentwood, Pacific Palisades, and Westwood—might be more inclined to send money downtown if they

thought poor neighborhoods actually would benefit and that the money would not be consumed by city hall.

## Opposition to Flexible Government

The strongest factor working against local flexibility to organize provision units in Los Angeles is public employees' preference for job security. Public employees are threatened by proposals for greater local control. Workers currently work with little or no accountability to the specific residents or communities they serve.

In Los Angeles, the strong alliance between politicians and public employees has made it difficult to adopt innovative reforms that increase the accountability and efficiency of city services.<sup>10</sup> When former Los Angeles mayor Richard Riordan took office in 1993, he was enthusiastic about reforms that had worked well in other cities. He expressed interest in putting some city services up for competitive bidding, but opposition from public employees was strong enough to kill the idea.

City employees justifiably see any attempt to separate provision from production as a threat to their job security. It is not in their interest for communities to have options among alternative service producers. Public-employee unions in Los Angeles fear that as authority is transferred to the neighborhood or community level, providers will be pressed to improve services.

Attempts to guide municipal boundary decisions with public-employee job security as the limiting factor will inevitably fail. Such efforts place public employees' interests above those of the city's residents in making provision and production decisions, even though the residents' interests should determine the nature of the public sector.

## Conclusion

We have argued for a structure of governance that encourages public entrepreneurship and that locates the authority to act where the greatest incentive to act exists. The costs in Los Angeles are currently too great and the benefits too small to encourage civic participation. Given the lack of substantial economies of scale in the production of most city services and the ability to contract out when such economies do exist, why not make changes that will encourage individuals to take actions to improve their neighborhoods and their communities? As Bish writes, "There is no reason to sacrifice the benefits of greater citizen participation and representation that are a feature of small governments only to create a larger government that costs more and provides services that are less likely to meet local preferences" (2001, 18).

The bar is very high in California; it is not easy to reform municipal boundaries under existing state law. Reforms to state law should increase the facility with which

---

10. In large cities, where citizens are removed from the political process by the complexity of oversight, union organization and influence are expected to be relatively great (Trejo 1991).

communities can make decisions about municipal boundaries.<sup>11</sup> That facility will harness the effort and energy that local public entrepreneurs expend to participate in decisions that affect their neighborhoods and communities. Rightsizing must be a continuing process, yet there is little experience in disaggregating a gargantuan city. There are no tried-and-true models to be followed. Without doubt, however, devolving power and authority in Los Angeles would align the structure of local government more closely with the structure of civil society.

Local control would bring residents and civic associations to the table in the discussion of local issues and tighten the link between resident needs and service provision. In our view, a responsive local public economy composed of multiple, nested public jurisdictions that serve diverse needs and interests, ranging from the local to the citywide, is a vision well worth pursuing.<sup>12</sup>

## References

- Alexander, Karen. 2002. Bay Area Unites in Bid for Olympics. *Los Angeles Times*, September 3.
- Bish, Robert L. 1971. *The Public Economy of Metropolitan Areas*. Markham Series in Public Policy Analysis. Chicago: Rand McNally College.
- . 2001. *Local Government Amalgamations, Discredited Nineteenth-Century Ideals Alive in the Twenty-First*. Commentary no. 150, March. Toronto: C. D. Howe Institute.
- Clingermayer, James C., and Richard C. Feiock. 2001. *Institutional Constraints and Policy Choice*. Albany: State University of New York Press.
- Duncombe, William, and John Yinger. 1993. An Analysis of Returns to Scale in Public Production, with an Application to Fire Protection. *Journal of Public Economics* 52, no. 1: 49–72.
- Elazar, Daniel J. 1972. *American Federalism: A View from the States*. 2d ed. New York: Thomas Y. Crowell.
- Fischel, William A. 2004. An Economic History of Zoning and a Cure for Its Exclusionary Effects. *Urban Studies* 40, no. 2: 317–40.
- Foldvary, Fred E. 2001. The Completely Decentralized City: The Case for Benefits Based Public Finance. *American Journal of Economics and Sociology* 60, no. 1: 403–18.
- Fox, Sue, and Nita Lelyveld. 2002. Breaking Up L.A.: Promises of Boroughs Nothing New in L.A. *Los Angeles Times*, July 18.
- Frey, Bruno S. 2001. A Utopia? Government Without Territorial Monopoly. *The Independent Review* 6 (summer): 99–112.
- Hayek, Friedrich. 1945. The Use of Knowledge in Society. *American Economic Review* 35, no. 4: 519–30.

---

11. Observing the attraction of neighborhood associations in new developments, Nelson (2002) proposes that state law be modified to make collective ownership of residential property available to existing neighborhoods.

12. **Editor's Note:** For another analysis inspired by a similar vision, see Frey 2001.

- Hirsch, Werner Z. 1968. The Supply of Urban Public Services. In *Issues in Urban Economics*, edited by Harvey S. Perloff and Lowdon Wingo Jr., 477–525. Baltimore: Johns Hopkins University Press.
- Liu, Caitlin. 2002. MTA Valley Chief Has a Tough Road Ahead. *Los Angeles Times*, July 29.
- Martin, Dolores Tremewan, and Richard E. Wagner. 1978. The Institutional Framework for Municipal Incorporation: An Economic Analysis of Local Agency Formation Commissions in California. *Journal of Law and Economics* 21, no. 2: 409–25.
- McCarthy, Kevin F., Steven P. Erie, Robert E. Reichardt, and James W. Ingram. 1998. *Meeting the Challenge of Charter Reform*. RAND Corporation Document no. MR-961-LABA. Santa Monica, Calif.: RAND.
- Nash, James. 2002. A Bright Idea? L.A. to Beautify Ventura Boulevard by Installing Matching Street Lights. *Daily News of Los Angeles*, August 15.
- Neiman, Max. 2000. *Defending Government: Why Big Government Works*. Upper Saddle River, N.J.: Prentice-Hall.
- Nelson, Robert H. 2002. Privatizing the Neighborhood; A Proposal to Replace Zoning with Private Collective Property Rights to Existing Neighborhoods. In *The Voluntary City*, edited by David T. Beito, Peter Gordon, and Alexander Tabarrok, 307–70. Oakland, Calif., and Ann Arbor: Independent Institute and University of Michigan Press.
- Oakerson, Ronald J. 1999. *Governing Local Public Economies: Creating the Civic Metropolis*. Oakland, Calif.: ICS Press.
- Oakerson, Ronald J., and Roger B. Parks. 1989. Local Government Constitutions: A Different View of Metropolitan Governance. *American Review of Public Administration* 19, no. 4: 279–94.
- Oliver, J. Eric. 1999. The Effects of Metropolitan Economic Segregation on Local Civic Involvement. *American Journal of Political Science* 43: 186–212.
- . 2000. City Size and Civic Involvement in Metropolitan America. *American Political Science Review* 94, no. 2: 361–74.
- Ostrom, Elinor, and Roger B. Parks. 1999. Neither Gargantua nor the Land of Lilliputs: Conjectures on Mixed Systems of Metropolitan Organization. In *Polycentricity and Local Public Economies: Readings from the Workshop in Political Theory and Policy Analysis*, edited by Michael D. McGinnis, 284–305. Ann Arbor: Workshop in Political Theory and Policy Analysis, University of Michigan Press.
- Ostrom, Elinor, Roger B. Parks, and Gordon P. Whitaker. 1978. *Patterns of Metropolitan Policymaking*. Cambridge, Mass.: Ballanger.
- Ostrom, Vincent, Robert Bish, and Elinor Ostrom. 1988. *Local Government in the United States*. Oakland, Calif.: ICS Press.
- Ostrom, Vincent, Charles M. Tiebout, and Robert Warren. 1961. The Organization of Government in Metropolitan Areas: A Theoretical Inquiry. *American Political Science Review* 44, no. 4: 831–42.
- Parks, Roger B., and Ronald J. Oakerson. 1989. Metropolitan Organization and Governance: A Local Public Economy Approach. *Urban Affairs Quarterly* 25, no. 1: 18–29.

- . 1993. Comparative Metropolitan Organization: Service Production and Governance Structures in St. Louis (MO) and Allegheny (PA). *Publius: The Journal of Federalism* 23, no. 1: 19–39.
- Sahagun, Louis. 2002. A Smooth Ride for Freight Railway. *Los Angeles Times*, Part 2, April 12.
- Sharp, L. J. 1995. *The Government of World Cities: The Future of the Metro Model*. Chicester, United Kingdom: John Wiley and Sons.
- Svorny, Shirley. 2002. The Economics and Politics of City Size. Unpublished manuscript. Available at: <http://buslab5.csun.edu/ssvorny/EconomicsandPoliticsofCitySizeJune02.htm>.
- Trejo, Stephen J. 1991. Public Sector Unions and Municipal Employment. *Industrial and Labor Relations Review* 45, no. 1: 166–80.

# SUBSCRIBE NOW AND RECEIVE A FREE BOOK!



“*The Independent Review* does not accept pronouncements of government officials nor the conventional wisdom at face value.”

—**JOHN R. MACARTHUR**, Publisher, *Harper’s*

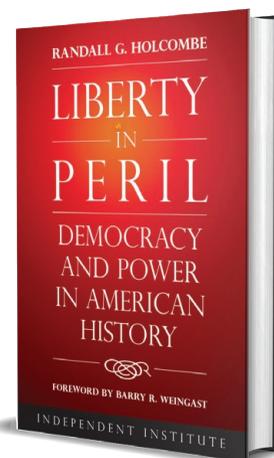
“*The Independent Review* is excellent.”

—**GARY BECKER**, Nobel Laureate in Economic Sciences

Subscribe to [The Independent Review](#) and receive a free book of your choice such as *Liberty in Peril: Democracy and Power in American History*, by Randall G. Holcombe.

Thought-provoking and educational, [The Independent Review](#) is blazing the way toward informed debate. This quarterly journal offers leading-edge insights on today’s most critical issues in economics, healthcare, education, the environment, energy, defense, law, history, political science, philosophy, and sociology.

Student? Educator? Journalist? Business or civic leader? Engaged citizen? This journal is for YOU!



Order today for more **FREE** book options

**SUBSCRIBE**

*The Independent Review* is now available digitally on mobile devices and tablets via the Apple/Android App Stores and Magzter. Subscriptions and single issues start at \$2.99. [Learn More.](#)

