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## CHAPTER 5

### Polycentricity (Part 2)

*Vincent Ostrom*

#### Some Implications for Research on the Governance of Metropolitan Areas

The illusion of chaos or the appearance of disorder is a phenomenon that has characterized U.S. public life for a very long time. Tocqueville recognized this condition in the 1830s when he observed:

The appearance of disorder which prevails on the surface leads one at first to imagine that society is in a state of anarchy; nor does one perceive one's mistake till one has gone deeper into the subject. (Tocqueville 1835, 1:89)

Tocqueville's effort to go deeper into the subject led him to juxtapose a circumstance where "the government can administer the affairs of each locality" as against one where "the citizens do it for themselves" (Tocqueville 1835, 1:89). In comparing the two circumstances, Tocqueville concludes that, "the collective strength of the citizens will always conduct more efficaciously to the public welfare than the authority of the government" (Tocqueville 1835, 1:89). He goes on to observe further that

In no country in the world [other than the United States] do the citizens make such exertions for the common wealth. I know of no people who have established schools so numerous and efficacious, places of public worship better suited to the wants of the inhabitants, or roads kept in

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better repair. Uniformity or permanence of design, the minute arrangement of detail, and the perfection in administrative system must not be sought for in the United States; what we find there is the presence of a power which, if it is somewhat wild, is at least robust, and an existence checkered with accidents, indeed, but full of animation and effort. (Tocqueville 1835, I:91–92)

Tocqueville's distinction between the one circumstance where "the government can administer the affairs of each locality" and the other where "the citizens do it for themselves" points to basic differences between a monocentric structure in France and a polycentric structure in the United States. Tocqueville quite explicitly recognized that Americans had recourse to diverse foci of authority and relied upon methods of election and adjudication to resolve conflicts among public authorities rather than a single hierarchy of command. He observed that

Nothing is more striking to a European traveler in the United States than the absence of what we [the French] term the government, or the administration. Written laws exist in America, and one sees the daily execution of them; but although everything moves regularly, the mover can nowhere be discovered. *The hand that directs the social machinery is invisible.* Nevertheless, as all persons must have recourse to certain grammatical forms, which are the foundation of human language, in order to express their thoughts; so all communities are obliged to secure their existence by submitting to a certain amount of authority, without which they fall into anarchy. This authority may be distributed in several ways, but it must always exist somewhere. (Tocqueville 1835, I:70; my emphasis)

#### Some Problems of Language

Penetrating an illusion of chaos and discerning regularities that appear to be created by an "invisible hand" imply that the tasks of scholarship in metropolitan governance will be presented with serious difficulties. Relevant events may occur without the appropriate *proper names* being attached to them. Presumably events implicated by definitions used in scholarship may deviate from conventions that apply to the use of proper names. Patterns and regularities which occur under an illusion of chaos may involve an order of complexity that is counterintuitive.

The elementary task of specifying what we mean when we refer to the governance of metropolitan areas remains ambiguous. How is the domain of a "metropolitan area" to be specified? The conventions of the U.S. Bureau of the Census in designating Standard Metropolitan Statistical Areas are clearly

unsatisfactory. Any county with an incorporated city of 50,000 population can qualify as a Standard Metropolitan Statistical Area. Whether or not several counties are grouped in a single SMSA is a highly arbitrary decision. Each county in the southern California coastal region, except for San Bernardino and Riverside Counties, is, for example, designated as a separate SMSA. Few would contend that six distinct metropolitan areas can be identified in southern California apart from the arbitrary conventions of the Census Bureau.

A similar problem exists in the designation of the units of government within a metropolitan area. Is a privately incorporated mutual land company rendering the usual range of municipal service for local inhabitants a "unit of government" or not? What about a fully urbanized area procuring municipal services through the instrumentality of an irrigation district? Is it a "municipality" or not?

Are the units of government participating in the "governance of metropolitan areas" limited to units of "local" government? If state police provide highway patrol services throughout a metropolitan area, are those state police forces an element in the governance of that metropolitan area? If a state highway department is responsible for planning, engineering, constructing, and maintaining state, U.S., and Interstate highways as the principal thoroughfares in a metropolitan area, is it a unit of government in a metropolitan area?

Similarly, are agencies of the federal government units in the government of metropolitan areas? Does the U.S. Postal Service, for example, render a public service in metropolitan areas? Does the U.S. Postal Service provide as satisfactory service *within* metropolitan areas as *among* metropolitan areas? If mail dispatched from Palo Alto, California, for example, is delivered more quickly to Cambridge, Massachusetts, than to Berkeley, California, we should be able to evaluate the performance of the Postal Service within a metropolitan area apart from its service to national users in different metropolitan centers. Does the organization of the Independent Postal Service indicate shortcomings in the intrametropolitan postal services performed by the U.S. Postal Service? Does the Independent Postal Service render a *public* service in metropolitan areas? Is it a unit of government in a metropolitan area? These questions can be reiterated for every type of service rendered by federal agencies for citizens who reside within metropolitan areas and for private and other public agencies that render equivalent services.

When we speak of councils of governments, do we mean only those agencies that are organized in reference to specific Federal statutes and that have proper names that can be appropriately capitalized as Councils of Governments? Is a "league of cities" or an "association of counties" the equivalent by definition of a council of governments? If not, how does a "council" differ from a "league" or an "association"? Is the Southern California Section

of the League of California Cities a council of governments for the southern California metropolitan region? Is the Municipal Water Districts Section of the California Irrigation Districts Association or the Southern California Water Coordinating Conference a council of governments? Is the St. Louis County Association of Police Chiefs a council of governments? Need there be only *one* council of governments in each metropolitan area?

Nearly 50 years ago, the Southern California Section of the League of California Cities provided the organizational context in which numerous civic leaders in southern California initiated efforts to sponsor the Boulder Canyon project as a means for supplying water and electrical energy for various southern California municipalities. Legislation eventually enacted as the Metropolitan Water District Act was originally drafted by a committee of city attorneys sponsored by the Southern California Section of the League of California Cities. No single set of decisions has been more influential in shaping the growth of the southern California metropolitan region than those sponsored by the Southern California Section of the League of California Cities. Was this a part of "the political process" involved in the "governance" of the southern California metropolitan region? Were they participating in a "council" of governments?

This series of questions indicates that fundamental issues of language remain unresolved in the study of metropolitan governance. Presumably the language of scientific inquiry depends upon definitions that have reference to equivalent sets of events. Proper names rarely serve as appropriate proxies for definitions unless the act of naming is based upon a classification scheme devised for the purposes of arranging events into theoretically equivalent classes. The conventions of the Bureau of the Census are clearly unsatisfactory for defining metropolitan areas and for specifying units of government in metropolitan areas. The naming of federally financed and sponsored forums for consideration of interjurisdictional problems as Councils of Governments does not mean that these institutions are definitionally different from the hundreds of such forums that have existed on the U.S. local scene for many decades without federal sponsorship.

I doubt that these issues of language and points of reference will be resolved by stipulation in a workshop on metropolitan governance. Instead, we may be able to clarify why scholars pursue basically different approaches as they engage in inquiry into problems of metropolitan governance. If we can understand the basic differences in approach and the basic differences in the language that go with different theoretical orientations we may be in a position to identify critical points of disagreement. Where critical points of disagreement reflect conflicting or contradictory explanations regarding causal relationships between conditions and consequences, we have opportunities to clarify which approach offers the better explanation. Such clarification re-

quires that considerable attention be paid to an *explicit* development of the theoretical orientations underlying the analysis of metropolitan problems. With the conscious use of explicitly derived theoretical inferences and carefully designed empirical studies, reforms can also be utilized as political experiments. The rejection of hypotheses based on methodologically sound research and carefully monitored reforms will eventually enable us to sort out some of the kernels of warrantable knowledge from the chaff of rhetoric and slogans.

#### Differences in Approach

Scholars who approach a complex subject from the vantage of different theoretical orientations will take hold of their subject in different ways. Scholars in the monocentric tradition, for example, have followed Woodrow Wilson to presume that the essential concern of a political scientist is to reveal the real depositories and essential machinery of power. They follow Wilson further in presuming that "There is always a centre of power . . . within any system of government." The task of a scholar then is to identify the following: (1) "Where in this system is that centre?"; (2) "In whose hands is [this] self-sufficient authority lodged?"; and (3) "Through what agency does that authority speak and act?" (Wilson 1885, 30). The formal repository of authority need not be identical with the effective center of power. Thus, the task of the scholar is to penetrate behind the facade of authority to find the essential machinery of power.

A scholar who relies upon the monocentric presumption engages in a search for "a center of power." If he finds a candidate he can then explore the "opportunities" and "potentialities" for his candidate to become a "reality." If he finds none, he can express his despair at having found only chaos amid the fragmentation of authority and overlapping jurisdictions.

Once a monocentric presumption is abandoned a scholar is confronted with some serious difficulties in deciding how to take hold of this subject matter. A scholar who begins with a polycentric presumption cannot rely upon the expedient of using a government as his unit of analysis. He cannot presume that there will be "a center of power" in any system of government. Nor can he presume that the Bureau of the Census has identified the relevant "units of government" or other categories pertaining to his study.

Ultimately he is forced to use the individual as a basic unit of analysis. However, he need not presume that individuals are atomistic and fail to take account of interdependent relationships with other individuals. Instead, he can assume that individuals find themselves in situations or environmental conditions where they confront different structures of events.

Structures of events might be viewed as having the attributes of "goods" and/or "bads" when evaluated in terms of individual preferences. Such

events might also be characterized by their divisibility or indivisibility when measured in terms of the capabilities of individual persons to exercise exclusive possession, control, or use of such events. Events that are highly divisible and are subject to exclusive possession, control, and use by individuals are the equivalent of private goods (and bads) in classical economics. Theories of externalities, common-pool resources, and public goods enable him to differentiate other structures of events that will confront individuals as they cope with the difficulties and opportunities in life.

A scholar in the polycentric tradition can further assume that any individual living in an organized society will also be confronted by specifiable sets of decision rules or decision structures. Decision rules assign both capabilities and constraints regarding an individual's choice of strategy in the pursuit of opportunities inherent in different structures of events or environmental conditions. A choice of strategy combined with the choice of others in relation to a specified state of affairs will "determine" outcomes. Outcomes can be viewed as the set of consequences that follows from the choice of strategies given (1) individuals; (2) structures of events; and (3) decision rules.

Outcomes can then be evaluated in relation to various criteria or standards of evaluation to measure performance. Efficiency can be used as one criterion or standard of evaluation to measure performance. The responsiveness of some specifiable sets of decision makers to the demands of other specifiable sets of decision makers can also be used as a measure of performance. Propensity for error might be another measure of performance. The "equity" or "justness" of the outcome might be developed into other criteria for evaluation (see Rawls 1971). If evaluative criteria can be developed into general measures of performance, then different patterns of organization or different institutional arrangements can be measured in relation to common standards of measurement or yardsticks.

Thus, the critical variables of concern to scholars in the polycentric tradition include (1) individuals; (2) decision rules; (3) sets of events; (4) outcomes; and (5) measures of performance. Each set of these five variables may include subsets of variables so that all possible combinations of structure relationships will require reference to a multidimensional matrix.

Various theories of social organization should enable scholars to draw upon a substantial structure of inferential reasoning about the consequences that will follow when individuals pursue strategies consistent with their interests in light of different types of decision structures in order to realize opportunities inherent in differently structured sets of events. Economic theory, for example, enables us to infer that individuals in market structures can pursue their individual advantage and enhance social welfare in relation to some events (private goods) with a high degree of success but will experience serious frustrations and failures in dealing with other sets of events (externalities,

common-pool resources, and public goods). The theoretical analyses of a number of economists, political scientists, and sociologists enables us to use a theory of bureaucracy in much the same way to derive quite different results.

Once we can conceptualize how individuals will choose strategies in light of the opportunities available to them in differently structured events with reference to different sets of decision rules, we can begin to specify the consequences for each set of permutations. We then have the necessary foundation for specifying the behavioral characteristics for aggregations of individuals who are organized into different types of collectivities. Collectivities can then be used as units of analysis in the context of a different arena where diverse collectivities of individuals will again pursue opportunities in the context of differently structured events and in reference to different sets of decision rules. We would expect individuals organized as "political parties" under different electoral rules to associate together in different ways, and we would expect those parties to behave differently under different sets of rules for "win-the-government games." We would also expect patterns of coalition formation for political parties seeking to win elections to be different than patterns of coalition formation for business firms seeking to dominate markets. This mode of analysis can be extended to patterns of governance in metropolitan areas, to international affairs, or to any other pattern of human relationship if we can conceptualize circumstances where individuals are confronted with a choice of strategy where each course of action becomes a potential move in a series of simultaneous games. The first variable—individuals—can now be extended to a much larger set of units at different levels of analysis.

The complexity of relationships involved in the government of metropolitan areas is such that mortal human beings can never observe the "whole picture." Anyone who attempts to "see" the "whole picture" will "see" only what is in the "eyes" or the "mind" of the beholder. In such circumstances, we would expect different scholars to paint different word pictures about metropolitan government. Such scholarship is an art form reflecting the images and fantasies of the beholder rather than the world of events that manifests itself in the discrete affairs of people comprising the populations of metropolitan areas. The world of events cannot be known in its finite detail.

As a consequence, research that is worth doing will depend upon limited probes that seek to clarify specific theoretical issues. Findings from such research will be trivial unless there has been an effort to array evidence so that a hypothesis can be rejected. Arraying evidence that can be used to reject a hypothesis is much easier if a scholar can have reference to different explanatory theories and can find circumstances that provide a critical test of the contradictions inherent in different theoretical explanations. It is this circumstance that provides a challenging opportunity for the generation of em-

pirical research being undertaken in the 1970s. We may well be on the threshold where political science becomes an intellectual discipline grounded in analytical theory and when empirical research can be used to mobilize evidence for rejecting some of the propositions that now pass for political science. If nothing can be rejected the aggregate accumulation can only be trash. Theory can be improved only when erroneous conceptions can be abandoned and when weak conceptions can be replaced by stronger conceptions.

#### Arraying Evidence on Critical Issues

With basic differences in theoretical perspectives, scholars will adopt quite different orientations to their subject matter, will use different concepts and languages, and will pursue their inquiries in quite different ways. These differences will not be resolved by discussion and deliberation alone. Instead, efforts should be made to take advantage of differences in approaches to clarify essential issues. By arraying alternative explanations and expectations, we can then attempt to undertake critical tests where divergent theories imply contradictory conclusions. The theory that has the weaker explanatory capability presumably would give way in the course of time to the theory with the stronger explanatory capability.

Given the circumstance that great structural diversity exists within and among metropolitan areas, we have rich "laboratories" for the conduct of carefully designed comparative urban research. In many metropolitan areas, the center city is a highly integrated political jurisdiction providing numerous services for city residents. The center city approximates a monocentric solution for all residents within its jurisdiction. Within the same metropolitan area, citizens living in the suburbs may be served by large numbers of jurisdictions with some aspects of overlap among jurisdictions. Such areas manifest substantial polycentricity. Given neighborhoods of similar density, spatial location, and socioeconomic status served by different types of institutional arrangements, evidence can be arrayed regarding a range of critical issues. Some examples might include research to array evidence regarding the following propositions.

*1. A high degree of polycentricity or fragmentation will be associated with a wide range in the quality of services and service levels in different parts of a metropolitan area.* As it happens, scholars working in both the monocentric and polycentric traditions might adopt this proposition as a working hypothesis. However, a monocentrist would expect to find variation in service levels *among* jurisdictions within a metropolitan area but not *within* a particular jurisdiction. A polycentrist would expect to find variation in service levels *among* jurisdictions where individuals have distinct preferences for different types or styles of service and where they can move to those

jurisdictions that most closely approximate their preferred mix of public goods and services (Tiebout 1956). A polycentrist would also expect that the magnitude of these variations would be dampened by competitive rivalry among jurisdictions regarding levels of taxation and acquisition of financial base.

A polycentrist would further expect wide variation in service levels *within* large jurisdictions due to the effective capability of wealthy and well-educated citizens to articulate demands to central decision makers and the failure of the poor and uneducated to do so. Large bureaucratic establishments will also contribute serious institutional weaknesses in loss of information and control over street-level services. Radical variations in service levels and the quality of services will, as a consequence, exist among different neighborhoods *within* a single large centralized city. By placing both theoretical traditions side by side, a much stronger research design can be constructed and used to compare differences in service levels *among and within* different jurisdictions serving the same metropolitan area for different types of services.

Since most students of metropolitan governance have had occasions to observe diverse neighborhoods in large cities as well as suburban communities, they should have some crude impressions whether unification of authority into a single unit of government will yield uniformity in the quality of service and in the level of service among all neighborhoods within a large city. Or, will there be radical variations in the quality of service and in service levels among different neighborhoods of the large city? From my own casual observations, I assume that the answer is obvious. I am, however, puzzled by my failure to explain the persistence of beliefs that are contrary to readily available evidence and casual observation.

*2. A high degree of polycentricity or fragmentation is positively associated with racial segregation and segregation by social class.* Monocentrists would expect to find the degree of racial and economic segregation to be greater in suburban areas than in the center city. From the Tiebout hypothesis, polycentrists would expect individuals to express their preferences by voting with their feet when diverse jurisdictions exist in a metropolitan area (Tiebout 1956). If preferences are affected by racial biases, polycentrists would expect these biases to be expressed in a polycentric system. However, a polycentrist would also look at the possibility that other arenas are more crucial in affecting segregation than the existence of political jurisdictions per se. A critical question is whether housing and realty markets are not the relevant arenas affecting segregation. If such were the case, one would expect to find as much racial and social class segregation among neighborhoods in large cities as among suburban jurisdictions unless appropriate actions had been taken to exercise control over relevant housing and realty transactions.

Unfortunately, the Census Bureau does not have data organized by

neighborhoods for large cities. However, if neighborhoods can be identified, data can be aggregated from census blocks and cross-jurisdictional comparisons can be made between communities in suburban areas and neighborhoods within central cities. Again, casual observation leads me to note substantial racial and social class segregation in center cities and to wonder whether more intense segregation exists in suburban areas.

*3. A high degree of polycentricity or fragmentation will lead to increased costs in public services rendered.* An early tradition among students of public administration directly associated efficiency with hierarchy so that perfection in hierarchical organization was assumed to be the basis for building efficiency into the administrative structure of government. Scholars in this tradition would expect a high degree of polycentricity to lead to increasing costs for services rendered. Studies by a number of political economists have challenged that presumption and have advanced the thesis that economies of scale will vary with factors of production, with type of good or services produced, and with factors of consumption. As a consequence they would not expect that a high degree of polycentricity will necessarily lead to increased costs in rendering public services. . . .

*4. A high degree of polycentricity or fragmentation evokes an unequal distribution of financial resources and burdens between central cities and suburbs.* An unequal distribution of financial resources would be expected among diverse sets of local jurisdictions. Whether a net inequality exists between central cities and suburban communities to the disadvantage of the central city is an empirical question subject to findings of fact so long as comparable standards of evaluation and assessment exist. The *Serrano* case, for example, arose in Baldwin Park, a poor suburban community in eastern Los Angeles County. The assessed valuation backing each student in the city of Los Angeles is equivalent to the average for the State of California as a whole and substantially greater than that in Baldwin Park. The center city of Los Angeles presumably will not benefit if the guidelines in the *Serrano* decision were implemented. The assessed valuation per student in the city and county of San Francisco is roughly equivalent to that in Beverly Hills—the epitome of wealthy suburbia. The redistribution effect of *Serrano* will mean a loss of revenue for San Francisco to the benefit of poor suburban and rural areas.

High levels of expenditure are, however, not necessarily associated with high levels or qualities of service or with a high level of citizen satisfaction. Expenditures for police services in the city of Chicago, for example, are relatively high even in poor neighborhoods within the city. Equalization of financial resources in the city of Chicago has increased expenditures on police services in black neighborhoods, but the services rendered are no better when measured by victimization rates or citizen satisfaction than those rendered in the most impoverished black suburban communities. These black

suburban communities spend less than 10 cents on police services for every dollar spent by the city of Chicago in comparable black neighborhoods (E. Ostrom and Whitaker 1971).

Reference to evidence and to observation through comparative studies conducted within structurally differentiated metropolitan areas can be used to reject a number of widely held beliefs about life in large urban areas. Suburbs are not populated exclusively by affluent white bigots. Segregation by race, ethnic groupings, and wealth does occur among neighborhoods within central cities. Radical variations in service levels and in qualities of service do occur among neighborhoods within central cities. The redistribution of tax resources within central cities has not eliminated radical variations in the quality of public services or in the conditions of life among different neighborhoods within central cities.

#### Reforms as Political Experiments

Empirical research organized to reject hypotheses, and incidentally to dispel popular myths and impressions, will contribute toward policy analysis by challenging some of the presumptions inherent in proposals to solve "the urban crisis" by organizing each metropolitan area into one overarching regional unit of government. However, much more substantial analytical capabilities need to be mobilized both in diagnosing the conditions that have generated the current discontent and in considering alternative possibilities as a basis for alleviating that discontent.

Since any diagnosis of a problematical situation is based upon a body of knowledge that associates causal conditions with resultant consequences, we would expect policy analysts drawing upon different theories of organization to make different diagnostic assessments and to prescribe different policy solutions. It is these circumstances that make important demands upon the intellectual capabilities of policy analysts and create an opportunity to use reforms as political experiments.

While any one analyst can attempt to use diverse forms of theoretical analysis, he will probably have greater skill in applying one form of analysis. In such circumstances, the analytical skills of different scholars need to be mobilized so that their diagnostic assessments and the predictive inferences following from their policy recommendations can be compared.

For example, a high degree of unanimity exists among students of urban affairs that serious "ills" afflict *large* center cities. However, this situation gives rise to immediate disagreement regarding different diagnostic assessments and different policy solutions based upon radically different *explanations* of causal relationships.

One approach to the problem is to identify the ills of the center city with

growing black populations in central cities and to the conditions of extreme poverty existing among urban blacks. The existence of many suburban areas, this explanation alleges, has enabled the well-to-do to "escape" to the suburbs and to disassociate themselves from "responsibility" for the ills of the center city. The resources of the wealthy suburbs do not contribute to the solution of center city problems that affect the society as a whole. Regionalization of metropolitan government so that the prerogatives of government can be exercised over the whole metropolitan area is viewed as a necessary condition for removing the "ills" of center cities and restoring health to the urban scene.

An alternative approach that I would take in analyzing this problem would identify serious social pathologies as existing in center cities. The ills are associated with ghetto areas populated by blacks and other impoverished groups. However, my diagnostic assessment of these conditions would identify the problems of institutional failure with the political structure of very large urban centers. Where populations of a million or more persons are governed by reference to a single unit of government, the voice exercised by any one individual becomes irrelevant to an expression of preferences for an appropriate mix of public goods and services and to an articulation of demands to procure the services of officials for coping with problems of social interdependency. The most impoverished and least educated populations will have the least voice in relation to these political authorities. Bureaucracies will be dominated by career "professionals" who assume that they minister to the needs of "laymen." The discrepancy between public rhetoric and public performance will, under these conditions, assume radical dimensions. In short, many of the critical problems in core cities derive from institutional weaknesses and institutional failures that are internal to the governmental structure of center cities themselves.

Students in this tradition of analysis will, as a consequence of their diagnostic assessments, look to remedies that bear upon the organization of neighborhoods and communities within large cities. Organizing voluntary enterprises to provide public goods and services will involve very high costs to entrepreneurs unless some form of coercive sanction can be mobilized. When communities are tyrannized and victimized by public authorities and professional administrators, patterns of "voluntary" organization may arise where sanctions are mobilized outside the law and outlaw societies emerge. Struggles between outlaw societies and police will evoke a crisis of "law and order."

In this circumstance, an institutional arrangement that would enable communities and neighborhoods to organize public instrumentalities for collective action is an alternative to the escalation of latent warfare between police forces and the soldier societies of ghetto communities. Community control, neighborhood government, or the organization of urban villages downtown afford potential remedies. In short, the ills of core cities require

more polycentricity for their solution, not less (see Altschuler 1970; Dahl 1967; Elazar 1971; Horowitz 1970; Jacobs 1961; Kotler 1969; Press 1963; Waskow 1970).

However, the architecture of polycentric political arrangements does *not* imply that "balkanization" be carried to the neighborhood level in disregard for essential interdependencies among diverse communities of interest. The modern phenomenon of poverty in affluent societies is not a product of social interdependencies confined to particular neighborhoods, to particular cities, or to particular metropolitan areas.

Since the Full Employment Act of 1946, conditions of "economic prosperity" and "full employment" have become the objects of macroeconomic regulation undertaken by the federal or national government in the United States. As early as 1949, Joseph A. Schumpeter called attention to difficulties that would necessarily follow from efforts to maintain "full employment" (Schumpeter 1950). Conditions of full employment will be accompanied by a high level of demand for labor. If the economy were rigged to sustain a high demand for labor, the bargaining power of organized labor will be increased. Organized labor will have an opportunity to drive wages up. Where large corporations exercised power over product markets, wage increases can occur that exceed increases in the productivity of labor. Costs will then be passed on to consumers in the form of higher prices. Such price increases will generate a strong factor of inflation into the national economy.

This inflationary factor unsupported by commensurate increases in productivity does not enhance efficiency. Rather, this type of inflation is a generator of economic redistribution from those who have little or no market or bargaining power to those who have substantial market or bargaining power. Some of the population including elements of organized labor will prosper at the expense of other elements of the population who experience a serious decline in economic welfare. They have experienced increasing poverty amid growing affluence.

If we assume that Schumpeter's warning is correct, it does not follow that either regional metropolitan governments, city governments, or neighborhood or village governments can successfully cope with these problems of poverty in an affluent society. Nor does Schumpeter's warning imply that macroeconomic controls should necessarily be abandoned. If we assume that efforts at macroeconomic regulation have realized a *net* advantage for economic prosperity or aggregate social welfare, we may still be confronted with a circumstance where those who have been the primary beneficiaries should be expected to cover the costs of deprivations imposed upon those who have suffered from the redistributive consequences of inflation.

Presumably, current distribution of income is a crude indicator of who is participating in the new prosperity. The federal government by its preponder-

ant position as a taxer of incomes is in a position to derive a significant share of the new prosperity that has been created as a consequence of its own macroeconomic policies. It follows from this analysis that the federal government is the appropriate instrumentality for taking corrective measures to compensate for the costs of inflation that its policies have engendered. Transferring these burdens to the level of local governments within metropolitan areas to be borne by property-tax payers is an inappropriate solution.

Those who propose regionalization of government in metropolitan areas as a means of alleviating the ills of the large center cities do so on the basis of an explanatory theory that associates causal conditions with resultant consequences. Where the unification of government occurs in a metropolitan region an opportunity is created to estimate the consequences of such an experiment. Such experimental situations can be compared with other areas not so organized.

Those who propose to increase substantially the degree of polycentricity within large cities would predict that a monocentric solution will only exacerbate the urban crisis. However, they would also argue that increased polycentricity in large cities will not directly alleviate the phenomenon of poverty in affluent societies. Economic regulatory programs of the federal government have served the interests of the powerful to exploit the powerless. Programs to compensate for the deprivations suffered by the poor can be feasibly undertaken by the federal government and not local units of government. Few would contend that local units of government are the appropriate instrumentalities to undertake macroeconomic regulatory programs to realize prosperity and full employment. Local units of government, by the same reasoning, are not the appropriate instrumentalities to *correct institutional weaknesses* inherent in *federal* efforts at macroeconomic regulation. Local units of government will be no more successful in combating poverty than individual union leaders or individual businessmen will be successful in fighting inflation.

If reform is approached as a problem in political experimentation, then advantage can be taken of differing diagnostic assessments and differing policy prescriptions. Where any given policy prescription has been pursued as a remedy, the course of reform can be observed as a test of the conception being acted upon. If reforms are carefully monitored, we may then be in a position to reach a tentative evaluation of the explanatory theory used to guide reform efforts. Such observations can be best organized and conducted when there is an awareness of alternative possibilities and of different inferential hypotheses that can be derived from different theoretical analyses. In time, we may be able to penetrate the veil created by the illusion of chaos and comprehend the regularities produced by the "invisible hand." These opportunities will be forgone if reform is viewed as a struggle where analysts attempt to mobilize forces and seek recourse to the slogans and rhetoric of warfare.

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## CHAPTER 6

### Metropolitan Reform: Propositions Derived from Two Traditions

*Elinor Ostrom*

Cries for reform and change are frequently heard concerning problems occurring in U.S. urban areas. While the existence of grave problems tells us that reform is needed, it does not tell us what kind of reform will lead to amelioration of problems. Reforms can make things worse as well as making them better.<sup>1</sup> One purpose of this essay is to attempt to isolate the theoretical structure implicit in the traditional metropolitan reform movement so that empirical research can be organized to examine the warrantability of the propositions contained therein. A second purpose of the essay is to pose an alternative theoretical structure derived from the work of political economists.

The elucidation of alternative theoretical structures may help guide future research efforts toward ascertaining which of these theoretical structures (or possibly others) provides a better explanation for the relationship among variables such as the size of governmental units and their multiplicity in a metropolitan area, and variables such as output, efficiency, equal distribution of costs, responsibility of public officials, and citizen participation. With a warrantable explanation for changes in these variables, reforms can be devised that will produce desired, rather than undesired, outcomes.<sup>2</sup> In addition to the preceding, this essay will also (1) discuss the need for developing agreed-upon definitions of terms and their operationalizations; and (2) present findings from a few studies that challenge the empirical warrantability of some of the propositions elucidated in the first section.

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