



The Virtues of American Localism— and Its 21st-Century Challenges

By Howard Husock

February 2022

Key Points

- Localism—defined as local government with significant responsibilities, revenue, and locally elected public officials—is a core feature of American government.
- International comparison makes clear that this decentralization of authority is an underappreciated aspect of American exceptionalism.
- Mandates set from higher levels of government are decreasing the discretion of local governments and threaten the sense of community that accompanies that discretion.

Controversy over such issues as school curricula and local law enforcement policies has roiled municipalities across the United States in the past year. Votes by San Francisco, California, school board members to rename schools named for historic figures, including Abraham Lincoln, have prompted a special election that could lead to those members' recall. And concerns about rising crime and a proposal to abolish the traditional organization of law enforcement in Minneapolis, Minnesota, became the animating issue in that city's local election, with the proposal ultimately rejected by the city's voters.

Localism can include such direct democracy formats as the ballot initiatives of 2021, which brought issues directly to local electorates. These included decisions such as “refunding the police” in Austin, Texas, and enacting rent control in St. Paul, Minnesota. Put another way, the intense interest in such local elections reflects voter understanding that a local vote can directly affect one's immediate quality of life. Localism makes such influence possible.

Any individual local controversy and vote based on it, however, can obscure a much more fundamental aspect of American political culture—one that, in contrast to other, even democratic polities, allows for local control of a wide range of policies often dictated in other countries by higher levels of government. Localism may be taken for granted by Americans accustomed to seeing roadside signs for county and township elections. But it should be understood as a crucial element of American exceptionalism—one that allows citizens to voice their concerns in small electorates in which even a handful of votes can prove decisive.

In the process, American localism can allow for policy differentiation across a diverse country and for voters to signal preferences in ways that may presage and influence decisions elsewhere. It can also serve as a safety valve for voters who might otherwise feel overlooked. So, too, can recall elections, which force incumbents to face voters before the end of their terms.¹ Localism is, to be sure, not an unalloyed positive. It can impede what may be viewed as social or economic progress—as in the

cases of “not in my backyard” opposition to new housing construction or, as it did in the segregated South, laws impeding full rights for African Americans.

This report highlights the extent and unusualness of such localism while emphasizing that, as more policy influence accrues to the federal government, American localism and its political virtues are at risk.

American Localism in a Historic Context

United States President Woodrow Wilson was a Princeton University political scientist before he became a politician. In 1898, he wrote about the governance of localities in the United States. “Our local areas are not *governed*,” said Wilson. “They act for themselves.”²² (Emphasis in original.)

This remains, to a great extent, an accurate description of governance arrangements in the United States. It reflects a crucial choice made at the time of the country’s founding. The nation’s Constitution itself specifies, in its 10th Amendment, that powers not explicitly granted to the central (federal) government are reserved to the states—or the people. Such language empowers state governments to grant localities large and small the right to “incorporate” as municipal corporations with a wide range of powers, including and especially the power to tax.

This crucial choice has led to a proliferation of local units of government, with their own locally elected officials. There are 50 states in the US—but more than 87,000 total units of government in which more than 500,000 public officials serve, many of them either unpaid or paid little. These include 36,000 “general purpose” local governments, providing services such as policing, sanitation, recreation, and road maintenance and making key zoning and planning decisions about what can be built and where.

These many units of government should not be viewed merely as local providers of public services. They are, rather, fundamental political entities—led by officials chosen at the local level, often by small electorates including voters they know personally. They are polities with their own local traditions, civic character, and distinctive mixtures of

public services chosen by such elected officials, who must account for their choices to voters.

They take a wide variety of forms and names, including counties, cities, towns, townships, boroughs, and villages. They include both an executive (often a mayor) and legislative branch (often a city council but in some New England states a “town meeting”), in which all citizens have a vote. Crucially, all support their services through revenues they raise themselves—most commonly through taxes on land and buildings—and decide themselves how that revenue should be spent. Just as important, they all have the legal right to finance local government projects by incurring debt, known as municipal bonds, guaranteed by the locality’s credit and traded in national and even international markets.

In recent years, the discretion of US local government has diminished somewhat, as higher levels of government mandate select projects and programs—such as treatment plants for sewage, handicapped accessibility for public buildings, and even broad definitions of “fair housing” for communities that receive certain types of federal assistance. Nonetheless, the United States can rightly be regarded as the major democracy that reserves the greatest range of powers to its local units of government—and as an example of localism for other nations to consider. Its structure helps frame the question of how much and what types of powers should be exercised at the local level—a fundamental question with which all democracies deal.

In doing so, democracies must wrestle with a series of matters. These include the questions of which services are best provided at a local level and which at a more regional one, how to finance such services, the extent to which local government decides which types of services it offers, and how to ensure minimum levels of some services, even in poorer localities.

This report makes a positive case for local governance, linked to locally raised and allocated revenues and fiduciary independence—what in the US is often called “local control.” In doing so, it reviews briefly the range of approaches to local government that major industrialized democracies have adopted and discusses some of the limitations of localism, how they can be addressed, and the appropriate size of local governmental units.

This report's main argument, however, rests not on discussions of efficiency or equity. Rather, it emphasizes the crucial social and community-building dimensions of local government—which, it argues, are integrally linked to financial self-determination. Local government, close to a relatively small electorate and based, to a meaningful extent, on locally raised revenue and decisions about how to allocate it, lays the foundation for a community in which citizens share the task of maintaining and improving the place where they live.

Local Government in Industrialized Democracies

A review of major, stable democratic governments quickly makes clear that all are characterized by some level of governmental decentralization. Local governments, led by popularly chosen local officials, are found in Australia, Canada, Denmark, France, Germany, New Zealand, Sweden, and the United Kingdom. This does not, however, mean these countries are equally “federalist”—that is, that local governments in each have similar capacities to raise and allocate tax money or have similar levels of discretion in how they manage local affairs.

For instance, in the United Kingdom, there is an extensive system of 412 local or county councils, responsible for parks and recreation services, police and fire departments, housing services, emergency medical services, municipal courts, public transportation, and public works (e.g., sewers).³ However, only about 25 percent of funds used for such purposes are raised through local taxes—and only as a result of a 1993 law that reinstated the previously abandoned property tax.⁴ The remainder comes from central government grants extended for specific purposes. In contrast, in Australia, local governments, whether major cities or smaller “shires,” raise more than 80 percent of their revenue from locally controlled sources.⁵

Even among local governments within a single country, the extent to which revenues are raised locally can vary. In Mexico, which has some 2,600 local governments, the 31 states set property tax rates, such that, according to the World Bank, “local governments in some states, such as Nuevo Leon, financed about 25% of their expenditure

with their own taxes but in other states, such as Chiapas, the figure was 5% or less.”⁶

France includes some 36,000 local “communes,” ranging in population size from 500 to hundreds of thousands.⁷ The communes raise a significant percentage of their revenue locally, but their discretion in terms of policy choices was historically limited. Although a relatively recent change has given them increased discretion, their mission had long been to implement goals provided by the central government.⁸

Notably, although local governments in Britain and Germany both have the legal right to incur bonded indebtedness—secured by their own revenue streams—they do not sell their municipal bonds directly to private financial markets. Instead, they are purchased by a central government authority, which then offers groups of municipal bonds.

Indeed, the vast majority of UK local government bonds are purchased by the central government. This constitutes a form of oversight, meant to ensure that governments are borrowing to finance capital expenditures, not operating expenses—and to ensure the creditworthiness of offerings. At the same time, it limits the extent of local governments' true accountability—in Canada, for instance, backed by an implicit central government guarantee on what sorts of expenditures must be made and in Germany by making it legally impossible for municipalities to enter into bankruptcy. (This is in contrast to US cities, which can declare bankruptcy but at the risk of being denied access to credit markets in the future.)

All of which is to say that the establishment of local governments does not itself imply a specific system of local governance. A cascade of choices remain about how such governments are financed, how much discretion they have, and in what ways they are held accountable—in other words, how independent they really are. Table 1 presents a comparative analysis of local governments in Australia, France, Germany, Israel, the United Kingdom, and the United States.

Table 1. Comparative Analysis of the Structure of Local Governments

	Australia	France	Germany	Israel	UK	US
Number of General Purpose Local Governments	537 councils in the Australian Local Government Association	39,941, including overseas France	2,059 towns with <i>Stadtrecht</i> (roughly “home rule”), as of December 31, 2016	251 municipalities, local councils, and regional councils (including Palestinian territories)	418 principal councils plus 11,000 local councils	36,000
Local Government Revenue as a Percentage of Total Government Revenue	3.6	13.2	8.3	8.1	4.9	13.6
Local Government Revenue as a Percentage of Local Government Expenditure	More than 80	77.5	65.6	67.3	33.0	63.7

Source: Australian Local Government Association, website, <https://alga.asn.au>; Insee, “Jan 1, 2017, Official Geographic Code,” <https://www.insee.fr/fr/information/2666684>; DeStatis, “Countries and Regions,” https://www.destatis.de/EN/Themes/Countries-Regions/Regional-Statistics/_node.html; Israel Ministry of Foreign Affairs, “The State: Local Government,” <http://www.mfa.gov.il/mfa/aboutisrael/state/pages/the%20state-%20local%20government.aspx>; Local Government Information Unit, “Local Government Facts and Figures: England,” <https://www.lgiu.org.uk/local-government-facts-and-figures/>; National League of Cities, “Cities 101—Number of Local Governments,” <https://www.nlc.org/resource/cities-101-number-of-local-governments/>; Organisation for Economic Co-operation and Development, “Revenue Statistics—OECD Countries: Comparative Tables,” <https://stats.oecd.org/index.aspx?DataSetCode=REV>; Organisation for Economic Co-operation and Development Fiscal Decentralization Database, Tables 4 and 8, 2016 figures except where otherwise noted. Organisation for Economic Co-operation and Development figures are computed as ratios of “consolidated revenue” (that is, local revenue not counting transfers from other levels of government) to “consolidated expense” and may be slightly distorted by government surpluses or deficits. Australian Local Government Association, “Facts and Figures,” <https://alga.asn.au/facts-and-figures/>; and Urban Institute and Brookings Institution, Tax Policy Center, “What Are the Sources of Revenue for Local Governments?,” <https://www.taxpolicycenter.org/briefing-book/what-are-sources-revenue-local-governments>.

The variety in the structure and responsibilities of local government should not detract from an understanding of their fundamental value in providing an additional dimension to democratic governance. In his classic paper, “Democracy as a Universal Value,” the economist and philosopher Amartya Sen writes that democratic governance has a

plurality of virtues here, including, first, the *intrinsic* importance of political participation and freedom in human life; second, the *instrumental* importance of political incentives in keeping governments responsible and accountable; and third, the *constructive* role of democracy in the

formation of values and in the understanding of needs, rights, and duties.⁹ (Emphasis in original.)

The value of democracy per se is not at issue in the countries surveyed above. But even a deep societal belief in democratic governance does not lead to a self-evident way to encourage what Sen calls “the intrinsic importance of political participation.”¹⁰ The question of the extent, structure, and responsibilities of local government matters greatly in this regard. Democracies face an ongoing series of key decisions as to how many local governments there will be, whether local officials will be appointed or elected, and whether local communities all offer the same set of services supported at similar levels—or whether local control will

permit variation. In addition, local government can be financially supported either through revenue raised at the local level (typically, taxes on real property) or by intergovernmental transfers—funds raised at the national level and then disbursed to localities.

The decisions as to the extent of local financial capacity and discretion and the extent to which local voters influence them through their choice of local officials carry great import—not just in terms of a specific structure but, rather, as they affect local residents’ perception of their polity. Most broadly, however, in considering the extent of localism, nations must consider what is required—and acceptable, within the national political culture—to foster a true local polity, one in which a sense of attachment and shared purpose is maximized at the local level.

Doing so hinges on the types of services offered and the extent to which financial resources are allocated to them—and the extent of the use of local taxes, at levels locally determined, to support such services. Finding the right combination of governmental responsibilities and financial capacity influences the efficiency of delivery of services and whether those services reflect local popular choice. At the same time, this ensures the accountability of local officials, limiting the likelihood of corruption and, crucially, creating a sense of shared community purpose.

Why Local Control? Tax Accountability Theory

The positive value of local control in at least some form has been discussed in political science terms as “tax accountability theory,” which links the payment of taxes to citizens’ willingness and likelihood to hold officials accountable. In reference to corruption in particular, Lucy Martin writes, “By taking away [taxpayers’] earned income, taxation pushes loss-averse citizens below their reference point, increasing the utility citizens lose from corruption and making them more likely to enact costly sanctions against non-accountable officials.”¹¹ Put another way, for a unit of government to accountably govern, it must be responsible for raising revenue through taxation and held accountable for how it spends the funds it raises.

As Table 1 makes clear, local government is present in all the democracies surveyed, but, nonetheless, the extent to which the local government relies on taxes raised at the local level varies a great deal. The United States combines high levels of reliance on locally raised revenue with significant local-level discretion and responsibility. Local government matters in the US, and citizens understand that it does. The combination of property taxation and local elections creates subnational polities, often based on strong feelings of attachment.

Governance in America’s big cities has come to the forefront of national attention during the dual crises of racial unrest and the coronavirus. But what underlies recent critiques of the past year’s urban governance failures is more fundamental: Big-city governments are not the best model for seeding local polities, citizen involvement, and official accountability. US big-city government is far more distant from voters than the majority of the country’s municipalities.

For example, New York City, with 8.5 million residents, has one city council member for each 164,000 residents. The situation is notably different in the city’s suburban areas, where there is a proliferation of small governments. Suburban Malvern, New York, is a municipality of just 8,500, governed by a four-member board of trustees—or one legislator per 2,100 residents. Similarly, Los Angeles, California, a city of 3.9 million, has 15 city council members—or one for every 260,000 residents. The nearby enclave of Santa Monica, California, which is considered to be a highly desirable residential area, has 92,000 residents and a seven-member council—one member for every 13,000 residents.

Smaller municipalities offer a model for an involved citizenry. In the US, many municipalities have a wide range of responsibilities, including public safety (provided by a local police force), fire protection, public education (through a local public school), public parks and recreation, sanitation, and zoning and planning. They set their own tax rates and are responsible for local tax collection.

Such arrangements are not universal. Many school systems, for instance, are regionally administered at the county level; indeed, there has been a long-term consolidation of the number of school

districts in the US. Some municipalities contract with larger governmental units to provide police protection.¹² Notably, local government in the US tends to rely even more heavily than the largest cities do on property tax revenue. The Tax Foundation, a Washington-based research organization, finds that “local government tax revenues tend to be mainly funded by property taxes—in 2010, local government obtained just over 76 percent of their 2010 tax revenues from property taxes.”¹³

21st-Century Threats to Localism

Historically, local municipalities and school boards have raised and spent funds procured through local taxes in response to the needs and preferences of local voters. In a true Tocquevillian sense, the empowerment of American localities has been intrinsically more participative, funding infrastructure, school boards, and zoning changes. The relationship between federal and local governments is, however, changing as a result of legislation and regulation.

In recent years, not only has the size of the federal government increased, but also its reach is now extending into municipalities and other local spheres to influence their activity. Federal assistance to cities and states has, in some instances, helped cities fulfill their core functions, such as law enforcement. There are proposals, however, to use federal grants-in-aid for purposes such as infrastructure and community development funds, leveraging them to change local regulations deemed flawed and discriminatory. These include policies aimed at solving housing-supply problems and racial segregation.

While one can agree with some of the goals of such initiatives, there is still grave reason for concern about the strings attached to these federal grants. One can think of these new-era “contingent” grants as a sort of disparate, impact-based approach to federal grant making, premised on the idea that select local policies can be linked to the problems of poverty (especially local land-use planning). Therefore, a wide range of local services should be adjusted to solve that problem.

A May 2019 Congressional Research Service report shows that

total outlays for federal grants to state and local governments have generally increased since the 1960s. However, the magnitude of those increases has varied over the years. For example, outlays for federal grants to state and local governments increased, in nominal dollars, 187.3% during the 1960s, 246.4% during the 1970s, 33.4% during the 1980s, 98.0% during the 1990s, and 98.6% during the first decade of the 2000s.¹⁴

This huge departure from historic practice is detailed in the report. The growth is impressive, from just \$7 billion in 1960 to \$749 billion in 2019. And the share of total federal outlays going to state and local governments has similarly ballooned. In 1960, 7.6 percent of total federal outlays went to state and local governments. In 2019, that number crept up to 16.5 percent, with little fluctuation since the mid-2000s. Health spending, such as Medicaid, accounts for the largest share by far (more than 60 percent), but grants for education and social services, transportation, and community development are all also significant. The report notes, tellingly, that of the six major types of federal, state, and local grants, four come with a “low range of recipient discretion.”¹⁵

The report notes that such grants have been increasing, beginning with the Great Society era that coincided with the growth of “coercive federal grants.” In other words, some of the farthest-reaching federal grants allow the least degree of state and local flexibility. Think here of making federal highway funding contingent on adopting a 55-miles-per-hour speed limit. Additionally, federal education aid, which is distributed to tens of thousands of local public school systems, was the basis for the nationwide testing regime ushered in by the No Child Left Behind Act. No school system, of course, is required to seek such aid, but those that do are subject to its rules.

It is just such coercion, ramped up further to influence basic local services, that is now being advocated. Some examples are already underway. One example is Housing and Urban Development’s (HUD) Affirmatively Furthering Fair Housing regulations. These were first developed by the Obama administration, were then put aside by the Trump

administration, and are due to be re-implemented by the Biden administration. They can tie federal community development funds to what Washington views as the best ways to limit housing discrimination by race. No community needs to seek such funds, but the offer is among the largest pots of federal money, conceived as a way for poorer communities to make up for lower property tax bases.

The Obama administration viewed the 1968 Fair Housing Act, which bans housing discrimination based on race, as inadequate. The goal was to push communities to interpret “nondiscrimination” as building subsidized (“affordable”) housing. But HUD’s bureaucrats went much further in their intrusions on local government.

As I’ve noted previously, documents made public as a result of legal action showed an Obama administration willing to inject HUD influence into almost any area of local affairs, based on the broadest possible interpretations of fair housing. To do so, HUD used its so-called “denial letters,” which are communications with local governments to inform them that they have failed to pass fair-housing muster. By denying the applications, typically because they do not include policies that HUD officials view as desirable, HUD can influence local government.

When a Georgia county told HUD it thought its affordable housing would help low-income residents get jobs, a denial letter said that not enough was being done to address “racial/ethnic concentrations.” Another county was told it needed to take steps to change its image, to be more welcoming to diverse populations (“perception in the broader metro area”). HUD suggested, as well, that school district lines might be redrawn to improve student achievement.¹⁶

There was, in other words, no obvious limiting principle at work. HUD is not the local school board, which is directly responsible to local voters, including parents of schoolchildren. Yet the department has even ventured to include its bureaucrats’ views on “school enrollment policies” in the category of “disparities to access to opportunities,” as was the case with one North Carolina city.¹⁷

This sort of overreach demonstrates one of the essential perils of such federal grants: Washington’s interpretation of compliance can be highly expansive and disconnected to the wants that local

communities are best positioned to determine. It’s about the strings attached to coercive federal aid, which touch more and more core local services. And again, there doesn’t seem to be a limit.

More and more coercive federal grant making risks bureaucratizing local government. But, most of all, it risks dragging what is now the most popular level of American government (local communities) into the same popularity swamp as Washington is in. According to the Pew Research Center, public favorability of state government is markedly higher than that of the federal government, and favorable views of state and local governments are shared across party lines.¹⁸

Virtues and Drawbacks of Local Government

If the US, in essence, describes the highest degree of localism in developed democracies, should it be considered an exemplar? Here follows a discussion of the specific prospective virtues of locally financed local government, followed by a discussion of potential concerns such governance raises.

Virtue One: Optimizing Taxpayer Preference.

One of the hallmarks of local municipalities—and one that restrains expenses—has been called the “Tiebout sorting effect.” Named from economist Charles Tiebout’s classic 1956 paper, “A Pure Theory of Local Expenditures,” the Tiebout sorting effect refers to the diverse types and levels of local amenities offered by different communities.¹⁹ Tiebout sorting allows communities to choose the level of amenities and services they wish to pay for.

This allows people to select communities that have the attributes they prefer at the rate of taxes they can accept. Some communities may want to invest more in recreational facilities, others in street paving or passive parks. Some may wish to provide social services for special populations; others may want to emphasize public safety by hiring additional police. Some may even want to provide specialized forms of education.

The point is this: Local governance—independent of directives from central government as to how funds should be disbursed and able to raise its own revenues—can tailor its services to its citizens’ preferences. In this way, communities can attract

newcomers who specifically want the market basket of services that is offered, in effect competing for additional residents willing to pay taxes for such purposes. In the process, the Tiebout effect also helps ensure that communities do not seek to provide all things for all types of residents, a means to minimize the cost of local services and maximize the likelihood of relative comity among citizens.

Virtue Two: Developing Social Capital. Implicit in the idea that communities can benefit from tailoring their package of public services is the reality of local political debate and decision-making. As with debate at any level of government, it can be heated; locally based decision-making does not inevitably lead to comity. But local budget control can serve as the foundation for compromise; for one interest to be funded, its proponents may have to agree to support funding for another interest.

This is the nature of healthy compromise—rather than a culture of grievance, which can develop when decisions are made at a higher level of government perceived as either unaccountable or difficult to influence. In addition, local governance, especially in small jurisdictions, often relies on volunteer assistance. Planning and zoning boards may review proposed development. Libraries and parks-and-recreation departments can have volunteer boards of directors to channel citizen opinion to municipal employees. Such boards can help create a civic culture in which citizens of various backgrounds and professions may meet for the first time.

The author, during his years as an elected member of the local government in Brookline, Massachusetts, had occasion to come to know a wide range of residents—from the janitor at the town hall to prominent local attorneys.²⁰ The fact of their willingness to invest their time and energy in overseeing and influencing specific government functions became a shared interest they might not otherwise have had.

Finally, small units of government also invite the formation of nonprofit, nongovernmental groups focused on improving the quality of life for residents. These can include, for instance, groups that raise funds to help those confronting emergencies or even organizations of enthusiasts for

specific local sports. All contribute to social capital.

Virtue Three: Size and Efficiency. It can make superficial sense to believe that larger units of local government can be more efficient—defined as providing services at a lower cost per capita—than smaller units. The argument is seductive but wrong. Larger units of government in the US tend to spend more per capita than smaller ones do. In Ohio in 2008, for instance, jurisdictions with a population of more than 100,000 spent some \$1,249 per capita, while jurisdictions with fewer than 1,000 persons spent just \$271.²¹

Nor does consolidating local government service ensure high quality. Since 1940, for instance, the United States has seen a long-lasting wave of mergers of local school districts, which, like local municipal governments, are frequently self-governing. Between 1950 and 1980, the number of US school districts declined from 83,642 to 15,987.²² Yet during that period, the quality of public education has emerged as an ongoing perceived crisis in the US, with substantial concern about graduates' skills and knowledge.

To be sure, there may be situations in which it makes sense for smaller units of government to work together—in financing and operating a regional water system, for instance, or providing aid for public safety (e.g., police and fire) in emergency situations, allowing jurisdictions to avoid hiring to deal with highly unusual peak demand periods. But full-blown consolidation into large units of government invites the formation of powerful interest groups, such as government employee unions, whose capacity to invest time in lobbying for benefits puts individual citizens and small citizen groups at a disadvantage.

Virtue Four: Power of the Vote. Individual voters' engagement inevitably increases when local government has real responsibilities and locally based sources of revenue. That engagement is further increased because an individual vote has a greater impact at the local level. This is a simple matter of arithmetic. One vote in a national election is relatively diluted in a large electoral pool. In contrast, a single vote at the local level is part of a

much smaller overall pool of voters, thus magnifying its impact. Voters intuitively understand this—and when controversial local issues arise, they have a strong incentive to participate in the overall electoral process.

Notably, in the United States, citizen trust and confidence in major national governmental institutions—including Congress and the presidency—have dramatically declined in recent years. At the same time, trust in local government has remained strong. As the *Wall Street Journal* has written,

The antidote to the confidence deficit may not be found in the national political system at all. Gallup found last year that, even amid the long-term decline in confidence in federal institutions, 70% of Americans expressed confidence in their local government to solve problems.²³

Virtue Five: Development Incentive. In recent years, the phrase “not in my backyard” has become commonly used regarding proposed new development projects in the US—both residential and commercial. In many cases, this reflects a desire by incumbent property owners to limit new supply, protecting or increasing the value of their investments. But it can also be motivated by the fact that, in large jurisdictions without responsive, smaller local governments, residents fear they will be asked to endure new problems (e.g., traffic congestion and noise) but cannot be assured that new tax revenues will be used to improve their neighborhood. Localism changes that calculus.

Virtue Six: Social Capital. In creating a distinct local polity, local government has a variety of collateral, socially beneficial side effects. These center around citizen involvement in government and locally focused nongovernmental organizations. Small units of government in the US typically call on local citizens to serve, on a volunteer basis, on a variety of boards that employ their professional expertise. The focus of these boards can include zoning and planning, property valuation assessment, finance, and parks and recreation.

Indeed, many officials in local executive branches—even mayors or members of a city

council—may serve without compensation. Contested local political campaigns serve to create social networks, which endure long past one election cycle. In addition, the manageable size of local jurisdictions increases the likelihood that citizens will create nonprofit, nongovernment organizations to serve public needs. These can include maintaining historic properties, raising funds to support local sports teams, and providing assistance for households in need. Such organizations typically have their own boards of directors and fundraising events, which create further social capital and social networks.

This is not to say that localism does not bring with it complications or that there are not arguments against it. These must be considered in structuring any expanded localism regime.

Concern One: Unequal Revenue Bases. When a government bases its level of services on a primarily local tax base, it is subject to swings in the value of property and persistently lower valuations. Typically, more-affluent areas have more-robust tax bases, compared to poorer ones. Central governments can move toward some level of equalization, ensuring that basic services—water, public safety, and education—are not neglected. But there are risks that must be considered in doing so.

More-modest tax bases can serve as an incentive to local governments to encourage new development, whether commercial or residential, because of the recognition that they are competing with other jurisdictions to improve their tax base. So, too, there is a risk that redistributions from the central government may come with strings attached (i.e., restrictions as to which purposes funds may be used for). This, in fact, has proved to be the case in the US, where the HUD distributes the so-called Community Development Block Grant to lower-income jurisdictions.

Too often, such funds are regarded by the local governments as “free” or “other people’s money” and are not subject to the same level of scrutiny in their spending as funds derived directly from the local population are.²⁴ Steps toward tax-base equalization should, therefore, be unrestricted complements to local tax revenue and compara-

tively limited in size. Redistribution that overshadows the local tax base would undermine the inherent value of localism.

Just as income inequality is inevitable in free societies, so, too, should we accept that communities will have differing levels and types of amenities. Education is the one area where we must strive for the greatest equality of opportunity—but even here, the leveling impulse can be complicated and dangerous.

In California, when a state court decision required the equalization of school spending across all localities, with funding provided by the state, local citizens may have been motivated to limit their local taxes overall—via a strict property tax limitation known by its ballot number, Proposition 13—helping starve local services generally. William Fischel has linked the change to an undermining of the Tiebout effect, discussed above.

Proposition 13 gutted California’s property tax system in 1978. Most people think that the tax-revolt initiative was caused by excessive government spending and raising tax burdens on homeowners. I argue that the [court] decision . . . divorcing local property wealth from school spending . . . converted most property taxes into a deadweight loss. Voters responded by rejecting the property tax.²⁵

One can conclude from this that the accountability that comes with local-level taxation also motivates taxpayers to accept taxation.

Concern Two: Tyranny of the Majority. This phrase is associated with the American Founding Father James Madison, who was concerned that voting majorities could deny minorities basic rights or simply use government to further parochial interests.²⁶ This is indeed a risk, especially in localities with a multiplicity of ethnic, racial, or

religious groups—but with one group that is dominant.

Local electoral systems can address this concern, however. One approach used in the US is to combine voting districts, some based in specific neighborhoods and some “at-large”—or representing the entire jurisdiction. One finds this combination, for instance, in the Boston City Council, in which nine members are elected from specific districts, and four others are elected citywide or at-large.²⁷

This system seeks to combine concern about distinct neighborhood matters with an understanding of the bigger picture, as it concerns the entire polity. Individual neighborhoods may seek specific improvements; at-large members may be more cognizant of budget constraints affecting all neighborhoods.

Conclusion

Local governments are common around the world. Local governments with significant responsibilities and fiscal independence are far less common. This report has made the case that only the combination of the two can serve as the foundation for true localism—and that such arrangements bring with them a series of collateral benefits.

Local government can lead to the engagement of different ethnic, racial, and religious groups on common problems and provide the template for compromise. It can encourage volunteerism and social cohesion. Local government can bring complications, including differential levels of public services tied to different magnitudes of local tax bases. But such complications can be addressed and do not outweigh the social and political advantages of localism: accountability, citizen engagement, and a robust sense of place in which citizens are personally invested.

About the Author

Howard Husock is a senior fellow in domestic policy studies at the American Enterprise Institute, where he focuses on municipal government, urban housing policy, civil society, and philanthropy. Before joining AEI, Husock was vice president for research and publications at the Manhattan Institute. He has also been a director of case studies in public policy and management at the Harvard Kennedy School, a member of the board of directors of the Corporation for Public Broadcasting, a journalist, and an Emmy-winning documentary filmmaker.

Acknowledgments

The author wishes to thank Connor Harris of the Manhattan Institute for his research.

Notes

1. Recall elections are permitted in 26 of the 50 US states. See ACE Project, “Electoral Systems: Legislative Recall,” <https://aceproject.org/main/english/es/esco1c.htm>.
2. Martha Derthick, “Federalism,” in *Understanding America: The Anatomy of an Exceptional Nation*, ed. Peter H. Schuck and James Q. Wilson (New York: PublicAffairs, 2009).
3. Gov.uk, “Understand How Your Council Works,” <https://www.gov.uk/understand-how-your-council-works>.
4. Norman Gemmill, Oliver Morrissey, and Abuzer Pinar, “Fiscal Illusion and Political Accountability: Theory and Evidence from Two Local Tax Regimes in Britain,” *Public Choice* 110 (2002): 199–224, <https://link.springer.com/article/10.1023/A:1013015330173>.
5. Australian Local Government Association, “Facts and Figures,” <https://alga.asn.au/facts-and-figures/>.
6. World Bank, “Property Taxes in Mexico,” June 2003, <http://www1.worldbank.org/publicsector/decentralization/June2003Seminar/Mexico.pdf>.
7. France This Way, “Discover the Communes of France,” <https://www.francethisway.ecom/communes.php>.
8. European Committee of the Regions, “France—Fiscal Powers,” <https://portal.cor.europa.eu/divisionpowers/Pages/France-Fiscal-Powers.aspx>.
9. Amartya Sen, “Democracy as a Universal Value,” *Journal of Democracy* 10, no. 3 (July 1999): 3–17.
10. Sen, “Democracy as a Universal Value.”
11. Lucy Martin, “Taxation, Loss Aversion, and Accountability: Theory and Experimental Evidence for Taxation’s Effect on Citizen Behavior” (working paper, September 18, 2014), https://sites.duke.edu/2014bmp/files/2014/10/Martin_TaxAcc.pdf.
12. Marc Joffe, “Contracting with OC Sheriff Means Buying into Expensive Union Benefits,” California Policy Center, February 28, 2017, <https://californiapolicycenter.org/contracting-out-to-the-orange-county-sheriff-means-buying-in-to-expensive-union-benefits/>.
13. Liz Malm and Ellen Kant, “The Sources of State and Local Tax Revenues,” Tax Foundation, January 28, 2013, <https://taxfoundation.org/sources-state-and-local-tax-revenues>.
14. Congressional Research Service, “Federal Grants to State and Local Governments: A Historical Perspective on Contemporary Issues,” May 22, 2019, <https://sgp.fas.org/crs/misc/R40638.pdf>.
15. Congressional Research Service, “Federal Grants to State and Local Governments.”
16. Howard Husock, “The Coming Invasion by the Federal Government,” *Washington Examiner*, May 13, 2021, <https://www.washingtonexaminer.com/politics/the-coming-invasion-by-the-federal-government>.
17. Krista Mills (deputy assistant secretary, US Department of Housing and Urban Development, Policy, Legislative Initiatives and Outreach), letter to Gloria H. Kesler (acting housing division administrator, community development department of Greenville, North Carolina), November 17, 2017.
18. Pew Research Center, *The Public, the Political System and American Democracy*, April 26, 2018, <https://www.pewresearch.org/politics/2018/04/26/the-public-the-political-system-and-american-democracy/>.
19. Charles M. Tiebout, “A Pure Theory of Local Expenditures,” *Journal of Political Economy* 64, no. 5 (October 1956): 416–24, <https://www.jstor.org/stable/1826343>.
20. Brookline, Massachusetts, has a five-member board responsible for day-to-day municipal operations (which serves as the executive branch) and a representative town meeting consisting of 240 members elected from 16 neighborhood precincts (which serves as the legislative branch). The town meeting must approve the municipality’s annual budget.

21. Wendell Cox, “Local Democracy in Ohio: A Review of City, Village and Township Financial Performance by Size, Ohio Township Association,” July 2012, <https://www.ohiotownships.org/cox-report>.
22. Lawrence W. Kenny and Amy B. Schmidt, “The Decline in the Number of School Districts in the U.S.: 1950–1980,” *Public Choice* 79, no. 1/2 (1994): 1–18, <https://www.jstor.org/stable/30026859>.
23. Gerald F. Seib, “Kavanaugh Controversy Adds to Public’s Crisis of Confidence,” *Wall Street Journal*, September 24, 2018, <https://www.wsj.com/articles/kavanaugh-controversy-adds-to-publics-crisis-of-confidence-1537799881>.
24. Steve Malanga, “Fixing the CDBG,” *City Journal* (Summer 2006), <https://www.city-journal.org/html/fixing-cdbg-12957.html>.
25. William A. Fischel, “Did ‘Serrano’ Cause Proposition 13?,” *National Tax Journal* 42, no. 4 (December 1989): 465–73, <https://www.jstor.org/stable/41788814>.
26. *Federalist*, no. 51 (James Madison), <https://billofrightsinstitute.org/founding-documents/primary-source-documents/the-federalist-papers/federalist-papers-no-51/>.
27. Massachusetts Voter Table, website, <https://mavotertable.org/>.

© 2022 by the American Enterprise Institute for Public Policy Research. All rights reserved.

The American Enterprise Institute (AEI) is a nonpartisan, nonprofit, 501(c)(3) educational organization and does not take institutional positions on any issues. The views expressed here are those of the author(s).