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Cooperative Municipal Service Provision: A Political-Economy Framework for Understanding Intergovernmental Cooperation

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ABSTRACT

We develop and apply a theoretical framework for understanding how local governments respond to the perceived costs and benefits of intergovernmental cooperation. Our theory connects local government decisions to economic and political costs and benefits at both the local and regional levels, as well as the institutional context in which collaborative decisions take place. We develop and test hypotheses with data from a sample of regional councils. We find preliminary support for our institutional, local, and regional hypotheses.

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INTRODUCTION

During the 1980s, the Grand Rapids, Michigan metropolitan area experienced unprecedented population and economic growth (Fulton et al. 2001). This growth took the form common to many metropolitan areas in recent years: conversion of previously agricultural or undeveloped land into low-density commercial and suburban residential development. The promise of this growth was temporarily shattered, however, when severe droughts occurred at the end of the decade, residential and agricultural water supplies came under acute strain, and the area's affluent new communities were forced to acknowledge that regional infrastructure expansion had not kept pace with new housing starts. The obvious solution was to extend additional intake pipes to the abundant resources of Lake Michigan some twenty miles to the west. However, this apparently straightforward solution was undermined by a long-standing political dispute between two of the region's larger communities – the cities of Grand Rapids and Wyoming, MI – over which would be responsible for constructing and maintaining the new line (Elliot 1990, Grand Rapids Press 1990). Finding their differences to be irreconcilable, both communities constructed new pipes, practically side by side, costing local taxpayers in excess of $100 million (Elderkin and Riseman 1993). Outraged by the apparent inefficiency of this outcome, leaders in the area resolved to avoid another costly debacle, successfully lobbied by state legislature to enable the formation of a regional authority to handle these land use and service delivery policies in the region, and created the Grand Valley Metropolitan Council.

This scenario has been repeated countless times in communities across America: despite obvious economic benefits that would result from cooperatively providing municipal services with neighboring jurisdictions, local governments often find it difficult or impossible to arrive at an acceptable cooperative solution, and instead resort to highly inefficient uncooperative service provision. In some cases, leaders in these communities turn to state or regional level solutions, though far more often, the result is economically inefficient duplication of local services.

In this paper, we lay out a theoretical framework for understanding how local actors perceive and weight the various (and often conflicting) costs and benefits as they contemplate joint service provision and other forms of intergovernmental cooperation. We argue that, despite the potential economic benefits of many forms of intergovernmental cooperation, local officials often perceive the potential political costs to far outweigh those benefits. How officials perceive these costs will depend on the local political environment, regional supply and demand conditions, the nature of the proposed cooperative activity, and the context within which the cooperation will take place. We demonstrate the logic of this framework with an analysis of the activities of one class of regional governance institutions.

A MODEL OF INTERGOVERNMENTAL COOPERATION

American local governments pursue a vast array of activities, from basic safety and emergency service provision to urban renewal; from land use planning to social service provision; from suburban growth control to rural service delivery.[1] Despite their differences, local government policies share an important common characteristic: while

[1] For the purposes of this paper, we focus on general purpose municipal governments. Many of the same considerations apply to limited purpose governments such as school districts, special districts, special authorities, etc., whose leaders, as elected officials, are subject to the same sorts of political/ electoral backlash.

made at the local level, these decisions often have regional effects. Zoning ordinances that allow the construction of housing tracts in one town, for example, may destine neighboring towns to increased traffic, treeless landscapes, and "big box" shopping centers; a local government's decision to attract a revenue-generating "nuisance" business – like a prison or landfill – may create costs for surrounding communities. Local government choices may also benefit neighboring jurisdictions: economic policies that attract more desirable businesses may increase property values across the region and increase local tax revenues, and coordinated service delivery may decrease costs for participant jurisdictions. Indeed, in an increasingly inter-connected society, the decisions of towns, villages, cities, and counties produce important spillover effects or externalities at the regional level.

Scholars and observers of American local government have long recognized these spillover effects and advocate for *regional governance* as a way of rationalizing local policy-making (Katz 2000). At its simplest, regionalism helps "internalize" the negative externalities generated by uncoordinated policy (e.g. DiMento and Graymer 1991; Kresl and Gappert 1995; Peirce 1993). Regionalism also offers the possibility of promoting more activities with positive externalities (e.g. Jacob 1984) and can encourage coordinated efforts to capture economies of scale in service provision (e.g. Schechter 1996). In a slightly different vein, advocates of "subsidiarity" present normative arguments for regionalism, suggesting that the control of government should exist at the level closest to the affected constituents (Dowling 2003; Kahler and Lake 2003). All of these outcomes can enhance social efficiency, and all have been identified as motivations for regional governance in the United States (Downs 1996, 2004; Foster 2000, 2001; Sandler 1992).[2]

But what advocates often fail to acknowledge is the underlying political dilemma associated with regional governance: local governments may need to give up some authority to achieve regional coordination. Local political actors may then be held accountable for regional policies that are contrary to the preferences of their local constituents. This tension lies at the heart of regional governance, especially in matters of land use and service delivery, where the American legal system places significant authority in the domain of local governments. Local governments contemplating regional policymaking are therefore compelled to ask: in addition to the *regional* efficiencies that could be captured through regional policymaking, what are the expected *local* benefits, and how do those benefits compare to the likely *local* political costs associated with delegating power to the region?

We study this fundamental tension between regional governance and local politics. We argue that to understand what cooperative arrangements do – and to assess their potential for taking on new responsibilities – scholars must consider not only the economic gains local governments are trying to achieve (i.e., the nature of the externalities they seek to internalize and the economies of scale they seek to capture), but also the regional conditions, local political and economic interests of individual members, and institutional context in which cooperation occurs. We represent this argument schematically in Figure 1.

Figure 1 Here

[2] Discussions of regionalism parallel scholarship on globalization, which points to the collective benefits of authority migration away from the nation-state and toward supranational institutions (for a review of these approaches, see Kahler and Lake 2003).

Outcomes

Local governments pursue cooperation to achieve higher levels of economic efficiency. In terms of our theory, these efficiency gains are the potential outcomes of regional cooperation. How these efficiency gains come about depends largely on the nature of the activities over which localities cooperate. We posit three ways in which cooperation may lead to higher levels of economic efficiency:

1) Capturing economies of scale: Many local government activities involve increasing returns to scale, that is, outputs increase more than in proportion to an increase in inputs. This means that if several small producers combine their activities and hence can together produce the same level of outputs with a lower level of inputs (or produce more outputs with the same inputs), total costs are reduced and cost savings can be realized. A common example in American regional governance is joint service provision, such as when two or more communities pool resources to form a regional library district. In economic terms, efforts to capture economies of scale reduce the average cost of service provision to the involved set of members. These policies parallel Peterson's (1981) allocational policies.[3]

2) Increasing positive externalities: Positive externalities exist when one or more actors' activities produce benefits for other actors. Regional efforts that may increase positive externalities include economic development programs that seek to enhance a region's business climate and attractiveness. In political economy terms, these policies are constant-sum. While they may benefit some local areas within a region more than others, their primary goal is developmental rather than redistributive.

3) Reducing negative externalities: Negative externalities exist when one or more actors' activities produce costs for another actor or actors. Regional policies intended to reduce negative externalities redistribute the costs and benefits of activities within a region. An example is coordinated land use planning where some jurisdictions agree to change their land use patterns for the benefit of the region. In political economy terms, they are zero-sum, and their primary goal is redistributive.

[3] Peterson defines developmental policies as those which enhance the economic position of a city; redistributive policies as those which benefit low-income residents but have a negative impact on the local economy; and allocational policies as those which are more or less neutral in their economic effects. Peterson's concern with inter-jurisdictional competition focuses his analysis on the *local* economic impact of local policy, while our approach, which emphasizes regional cooperation, shifts the emphasis to the *regional* economic impact of local policy.

In our model, engaging in cooperative activities that may potentially produce these efficiency gains is the operational dependent variable. A different model would be necessary to model the ultimate achievement of these efficiency gains, one that takes into account the economic properties of local government activities (i.e., the precise nature and extent of externalities, the production function of specific government services, etc.).

Hypotheses

Our theory of regional governance implies a number of hypotheses about the conditions under which local governments are able to achieve efficiency gains through regional cooperation.

Institutions: In microeconomic theory, economic efficiency can be enhanced when firms negotiate and construct contracts that allow them to combine their production activities or that include the costs of externalities. However, ad hoc contracting between neighboring jurisdictions can be cumbersome and costly in terms of the time and effort required, so costly, perhaps, as to negate the potential efficiency gains from cooperating. Delegating some authority to an ongoing regional governance effort may therefore be the only feasible way for local governments to reap the benefits of intergovernmental cooperation. As such, we focus on intergovernmental cooperation that occurs within the context of formalized regional governance institutions.[4]

Regional cooperative arrangements can and do take many forms (Katz 2000). These efforts range from small-scale attempts by neighboring local governments to jointly provide limited services or engage in coordinated planning, to large-scale multi-

[4] In other words, we focus on a second-order collective action problem, that is, what cooperative activities do local governments pursue through regional institutions, and not the first order collective action problem, that is, when do the form these regional institutions in the first place. See Ostrom 1990.

purpose regional councils responsible for a wide range of planning, policymaking, and service delivery activities. Despite these differences, one common feature of all regional governance institutions is that they are voluntary in the sense that individual local governments (or other decision-making entities) hold primary decision-making authority, enter into the agreement voluntarily, choose to delegate some authority to the regional body, and can exit at will (though possibly with penalty). We hypothesize that features of a voluntary regional institution will affect the ability of local governments to pursue cooperative activities. Specifically, we hypothesize that increasing the number of actors will increase the costs of collective action (Olson 1965) and so will reduce the probability of cooperation. Repeated interactions, i.e., increasing the number of cooperative activities over time, will increase the probability of cooperation by reducing the effort required to put additional new activities in place as partners develop norms, trust, and comfort working together over time (Gerber et al 2005). We state these hypotheses below.

1. <u>Collective Action Hypothesis:</u> As the number of participants increases, cooperative efforts will undertake fewer activities.

2. <u>Interaction Hypothesis</u>: As the number of previous activities increases, the probability of new additional activities increases.

The specific institutions or processes that dictate how cooperation takes place will matter as well. In some places, the cooperative decision-making process empowers individual local governments, allowing them to retain significant authority over policymaking and hence shifting the balance of policy outcomes in the direction of local (as opposed to regional) interests. In institutional terms, features of regional arrangements that empower local interests include unanimous consent and supermajority decision rules, equal powers among members, many veto opportunities for individual members, committee systems that allow small coalitions to veto or challenge proposals, and limited staff powers (who might advocate regional interests). When regional institutions have these features, voluntary cooperative efforts will rarely produce outputs that are costly to member local governments. In other cases, decision-making institutions advantage regional interests. These institutions shift decision-making authority to the regional level, allowing it to undertake a wider range of cooperative activities and to achieve outcomes that generate more regional benefits. The features of such regional institutions include decision rules that entail lower thresholds of agreement (e.g. majority rule), fewer veto opportunities, regional staffs with strong agenda-setting powers, larger proportions of appointed/technical representatives relative to elected/political representatives, and substantial resources to facilitate trade-offs and cooperative solutions between members.[5]

3. <u>Voting Rule Hypothesis:</u> When a regional institution requires high levels of member support to approve its project plans, (e.g., when it utilizes supermajority or unanimity rules), cooperation will be more difficult to achieve.

4. <u>Veto Opportunity Hypothesis:</u> When a regional institution allows individual members to veto, challenge, or opt out of collective decisions, cooperation will be more difficult to achieve. We hypothesize similar effects when a regional institution allows small coalitions of members to veto policies that are majority preferred (as with a committee system).

5. <u>Representation Hypothesis:</u> As the ratio of appointed to elected officials increases, cooperation will increase.

6. <u>Leadership Hypothesis:</u> When an executive director, chair, or other member holds significant power in a regional institution, cooperation will increase.

[5] One may legitimately ask why members would agree to these institutions that limit their autonomy. Several possibilities exist. First, they may have no choice due to state mandates that prescribe specific institutions and require local government participation. Second, they may face strong positive incentives to join, such as federal funding for important programs. Third, they may agree to give up authority (and possibly incur costs) on some programs in order to obtain benefits in other areas that the regional entity provides.

7. Capacity Hypothesis: As a regional institution increases its organizational capacity, in terms of staff, expertise, resources, and technology, it will undertake a greater number of cooperative activities.

Local Interests*:* voluntary regional governance efforts require the participation of local governments. These governments are represented in regional efforts by elected or appointed officials who derive their office, power, and authority from the citizens in their jurisdictions. These may include elected representatives – city council members, township trustees, county commissioners, etc. – who are appointed by their legislative or executive bodies to represent their jurisdiction's interests on the regional council, or appointed officials – agency heads, planning directors, police or fire chiefs, etc. – who likewise represent the interests of the local political officials who appoint them. How local government representatives go about representing their jurisdictions addresses one of the most important and vexing questions in political science – the relationship between citizen preferences and government behavior.[6] While a full-scale empirical study of local political representation is beyond the scope of the current study, we build, as a starting point, upon the logic of spatial competition and the median voter model, assuming that local government representatives take positions that roughly correspond to the preferences of the median voter in their jurisdictions. In other words, we focus on the economic and political factors that may shape citizen preferences for certain policies and assume that local representatives take positions that roughly correspond to how their

[6] A full-scale empirical study of political representation requires that we estimate both what citizens want and what their representatives do, and then model the relationship between these two elements. A further complicating factor is that in a fully specified model, the actions taken by local representatives at the local and regional levels are jointly determined. In other words, a local representative may choose to pursue some policies at the local level and others at the regional level. Thus, an exclusive focus on either level to some extent misrepresents the set of choices made by local officials. To our knowledge, such a model does not exist in the literature.

jurisdiction's median voter responds to those factors.[7] These positions are then aggregated into regional policy choices according to the processes embodied in the regional institution.

Local Demand: American local governments derive their revenues from a variety of sources, including intergovernmental transfers, property taxes, income taxes, sales taxes, fees, debt, etc. These revenues then finance a wide range of local government services (Peterson 1981; Stein 1990; Fischel 2001). In some communities, local governments provide, and citizens receive, ample, high-quality services. In other communities, local governments' ability to provide services lags demand, either because their willingness and/or ability to increase revenues is restricted (Dye and McGuire 1997), or because the local government's spending priorities are out of alignment with citizen preferences. Whatever the cause, when the gap between demand for local government services and their provision is large, local governments may seek alternative ways to decrease costs or increase revenues and cooperation will increase. When the gap between services demanded and services provided is relatively small, the potential costs of cooperation may outweigh the expected benefits, and cooperation will be lower. This gap may be quite independent of the overall wealth of the community. We posit this relationship in the following hypothesis:

8. <u>Local Demand Hypothesis:</u> When individual local governments have large service gaps, the probability that they will engage in regional cooperation increases.

[7] This assumption, of course, greatly simplifies what we know about legislative behavior and the many factors that may lead to non-median outcomes. However, we believe that the theoretical robustness and analytical power of the median voter model justifies this approach. For a recent review of the literature on political representation, see Gerber and Lewis 2004. In future research, we intend to further develop this part of the study.

Local Politics: Arriving at a cooperative agreement in local politics is complicated by at least three factors. First, the incentives to free-ride are omnipresent, even if all local governments agree on the economic benefits of a regional solution. Second, citizens may attach symbolic value to local authority over a particular policy, even if a coordinated policy would, in fact, make them better off economically.[8] Local officials who pursue cooperative solutions that are contrary to their constituents' preferences – even if those solutions are economically efficient – risk being punished at the polls. Third, a local government's long-term strategic considerations may undermine cooperation (Downs 1996). Regional agreements may lock a local government into an uncertain set of future regional policies. This uncertainty may be exacerbated in regions experiencing rapid social or economic change, or with heterogeneous populations that are likely to have conflicting views over policy priorities. Such discord between regional economic benefits and local political costs may prevent the achievement of a cooperative agreement.[9]

For a given level of demand, whether citizens prefer local versus regional provision of municipal goods and services will be shaped, to some extent, by the degree of similarity between jurisdictions. In extremely homogenous regions, citizens in neighboring communities are likely to share common policy preferences and priorities. As the heterogeneity of residents across member jurisdictions increases, local

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[8] Efforts to coordinate policy for fire or police services may be especially vulnerable to these concerns (Ostrom, Parks and Whitaker 1978).

[9] This view is consistent with Clingermayer and Feiock 2001. For a similar conceptual approach from the international relations literature, see Kahler and Lake 2003.

governments may face greater resistance from constituents who may be reluctant to share power with dissimilar communities (Foster 2000, 2001; Wacks and Dill 1989).[10]

9. Local Politics/Heterogeneity Hypothesis: As the social and economic circumstances of a region's population diversify, cooperation will decrease.

***Regional Interests**:* American metropolitan areas vary widely in terms of their geography, population, economy, and existing transportation infrastructure. Of the 175 metropolitan regions whose populations exceed 200,000 people, some are compact and densely populated, while others are widely dispersed and sprawling. Some are experiencing dramatic population and economic growth, while others have stagnant economies and are experiencing net population losses. Some metropolitan areas have extensive infrastructure systems in place, while others have minimal infrastructure. In terms of our model, these regional geographic, population, economic, and infrastructure characteristics determine the nature of the economic benefits or efficiency gains that may accrue from cooperation. We construct hypotheses about how these regional characteristics affect cooperation, below.

10. Regional Wealth Hypothesis: Regions with relatively wealthy residents will be under less pressure to reduce costs and so will be less likely to engage in politically costly cooperation.

11. Regional Growth Hypothesis: Local governments may find it easier to share responsibility regionally on new services and activities, compared to giving up authority over existing service responsibilities. Regions experiencing rapid economic growth will likely be expanding their service provision and hence cooperation will be more likely.

[10] The literature contains conflicting hypotheses on the impact of heterogeneity. The gains from trade literature (cites) would argue that heterogeneity could enhance bargaining, while the social capital literature (cites) would argue that heterogeneity reduces cohesion. Our preliminary research on cooperation between American local governments points more heavily towards the latter (social capital) or racism hypothesis.

External Influences: the activities of regional institutions also reflect state- and federal-level influences. Most formal regional institutions (i.e., regional councils, councils of government, metropolitan councils, metropolitan planning organizations, etc.) derive their formal powers from state authorizing legislation and sometimes federal mandates.[11] Variations in these state- and federal-level influences may enhance or undermine collective action within regional institutions, depending on whether they empower local interests (by making participation more voluntary and not tying funding to cooperative behavior) or regional interests (by mandating participation and by tying funds to particular cooperative outcomes). [12]

12. <u>Mandate Hypothesis:</u> In states where regional decision-making is mandated by federal or state policy, cooperation will increase.

Analysis of Great Lakes Regional Councils

To demonstrate the plausibility of our theory, we test our hypotheses with data from the 87 regional councils in six Great Lakes states.[13] The Great Lakes states represent a challenging environment for voluntary regional cooperation, since state governments have, to date, taken a very limited role in mandating or encouraging regional governance; regional entities therefore have few means for offsetting local government disincentives and encouraging regional cooperation.[14]

[11] The latter is true in the case of metropolitan planning organizations (MPOs) which are the regional entities responsible for allocating Federal Highway Trust Fund dollars.

[12] Receipt of federal or state transfers will not necessarily increase *regionalism*, however. Analogies can be made between these transfers and the structure of relationships inherent to foreign aid. Recent studies demonstrate that the magnitude of, and the conditions attached to, aid affect the specific choices of recipients (Gibson et al. forthcoming).

[13] These include Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin.

[14] In other words, all of the states score low on the *State Mandate* variable.

To test our hypotheses empirically, we focus on a particular type of regional institution: regional councils or RCs (also known as councils of governments or COGs). These institutions are somewhat atypical of regional governance entities in general, as they tend to be large, multi-purpose, highly institutionalized organizations. Nevertheless, they share many of the important characteristics described in our general model, namely that they are "voluntary" in the sense that most of their activities must be approved by their membership, and member local governments can opt out or discontinue their membership at will. We analyze data from a brief national mail survey of regional councils conducted in 2001 by the umbrella organization, the National Association of Regional Councils (NARC).[15] The survey included questions about the regional council's size, membership composition, contact information, and activities.[16] Results of this survey provide a starting point for our data collection (we discuss plans for additional data collection below).

We posit our basic empirical model in equation (1) and describe each element in detail below.

$$Outcomes_{ij} = f(Institutions, Local\ Interests, Regional\ Interests, Controls) \qquad (1)$$

Outcomes: The NARC member survey provided a list of 17 common programs or activities and asked respondents to mark any in which they participated; they also

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[15] NARC was established in 1966 for "fostering regional cooperation and building regional communities." They are an umbrella organization whose members include regional councils, councils of governments, and metropolitan planning organizations in 48 states. NARC's activities include advocacy, membership education and services, and regional outreach (www.narc.org).

[16] These surveys were mailed to each RC's executive director and were completed by the director or his/her staff. We were able to verify some of the responses, such as population and land area, and found a high degree of reliability (approximately 97% exact matches). We are less optimistic about the reliability of the activity responses, however, and intend to conduct an additional survey (described below) that will allow us to both verify the existing data and obtain additional information about other aspects of RC activities.

allowed for write-in responses, of which respondents offered approximately 700. We counted the total number of listed and write-in activities the council reported as our preliminary measure of the extent of cooperation.

Institutions: The NARC survey contained limited information about each RC's institutional structure. We measure collective action barriers as the size of the RC's governing board; interactions as the year of establishment; leadership as the size of the council's staff; and capacity as the amount of federal funds per capita received in 2001. In the near future, we plan to obtain institutional data from two sources: additional questions on the proposed executive director survey described above and the formal by-laws of each regional council.

Local Interests: In future analysis, we will measure *local demand* by computing the ratio of local government expenditures to median household income for each RC local government member from US Census of Population (for income) and US Census of Governments (for expenditures) data files. The median member's ratio will serve as our measure of local demand. We will measure *local politics* with several indicators of member heterogeneity, including the standard deviation across member local governments within an RC on the demand variable described above, as well as population change, income, housing starts, and race/ethnicity. In the current analysis, we proxy these measures by using the standard deviation of these population and income variables across member counties and include two measures of region-wide racial/ethnic diversity.

Regional Interests: We measure *regional growth pressures* with US Census data on population growth. We measure *regional wealth* as jobs/100 people and the mean of the population-weighted county median of household income for all counties within an RC (from the US Census).

External Influences: we include a dummy variable to indicate whether an RC functions as the region's metropolitan planning organization (MPO) or rural transportation planning organization (RTPO). These regional councils receive millions (or billions) of dollars each year to support their collective activities and so operate under a different set of external influences.

Controls: We will include a number of RC-level variables to capture the influence of other factors on RCs' choice of activities, including population, density, and whether the region contains a large city.

Estimation: The unit of analysis is a regional council at a fixed point in time (i.e., 2001). Since our dependent variable is the number of activities reported by a regional council, we specify a poisson regression for estimation. The results of this analysis are reported in table 1.

Table 1 Here

The first two columns of table 1 list each of the hypotheses being tested and the variables used to operationalize those hypotheses, respectively. The next four columns report the results of a series of poisson regressions, each employing the same dependent variable (total activities reported by the regional council). In the column labeled “Institutional,” we include the available variables that test some of the institutional hypotheses, plus several controls. We find that board size is negatively related to total activities, consistent with our collective action hypotheses which predicts that cooperation will become more difficult when more member local governments are involved. Federal funds per capita, our measure of resources, is positive and significant, as predicted by our resources hypotheses. The variables measuring leadership (number of staff members) and interactions (year established) are insignificant.

The fourth column retains the institutional variables that were significant in the previous regression and adds five variables that capture dimensions of population and economic heterogeneity in each region. The two race variables, percent nonwhite and (percent nonwhite) squared, indicate that cooperation increases as population diversifies, but then decreases sharply in the most heterogeneous regions. The three economic variables indicate that cooperation is lower in regions where the variation in population growth across local communities is greatest, and increases in places with high income heterogeneity. However, only the percent nonwhite variable is significant.

Column five retains several of the institutional and local politics variables, and adds four variables measuring features of the regional economy. We find that employment centers (regions with higher jobs per capita) report more cooperative activities, but that wealthier areas (regions with higher median household income) report less cooperation. Regional growth is negative but insignificant.

Finally, column six reports the fully specified model, which includes the institutional, local, regional, and control variables, and adds a dummy variable indicating whether the regional council serves as the area's metropolitan planning organization (MPO). Here, we find that regional councils that serve as MPOs undertake more cooperate activities, all else constant. Most of the other factors are significant and in the direction indicated in the previous partial models.

To summarize the results of our empirical analysis, we find that the extent of cooperation within a regional council is related to institutional characteristics, population diversity, regional economic factors, and external influences, in a manner consistent with the logic we propose in our theory.

DISCUSSION AND IMPLICATIONS

Our analysis demonstrates that patterns of intergovernmental cooperation vary systematically according to features of the regional institutions within which cooperation occurs, as well as the regional economic conditions and local political environments to which local governments respond. To the extent that our results remain robust to better measures of regional outcomes and a more fully specified empirical model, we believe these preliminary findings have important implications for scholars of government behavior. They imply that our models of government decision-making need to take into account the potentially conflicting trade-offs between economic benefits and political costs that governments face when contemplating voluntary cooperation. They also imply that institutions matter: some regional institutions, with features that empower regional interests, can facilitate cooperation, while others, with features that empower individual local governments, can undermine cooperation. These institutions can shape the way individual local governments perceive the costs and benefits of cooperation, in ways that we as scholars are only beginning to appreciate.

Our findings also have implications for policy practitioners. They demonstrate that the promise of economic efficiency alone may be insufficient to move local governments into cooperative relationships. Regions with less wealth (and presumably greater fiscal stress), do report engaging in more cooperative activities, all else constant, but those with large minority populations cooperate less frequently. To capture the economic benefits of regionalism, astute policymakers will need to confront these challenges head-on.

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Table 1: Analysis of Regional Council Activities

Hypothesis	Variable	Inst'l	Local	Regional	External
Institutional					
		-0.0057**	-0.0043	-0.0048**	-0.0047*
		-0.0016			
		0.00017			
		0.046*	0.045	0.031	0.031
Local Demand					
Local Politics					
			5.04*	8.57**	6.98**
			-13.22	-29.45**	-25.26**
			-1.74		
			0.000015		
			0.052		
Regional					
				5.57e-07**	4.94e-07*
				-0.44	-0.77*
				-0.20	
				-0.32	
Mandate					0.22**
Controls		0.18**	0.15*	0.12	0.13
		-0.0012**	-0.0012**	-0.0016**	-0.0014
		0.29	0.30		
		2.63	-.58	4.50	7.81
		.06	.07	.07	.08
		68	80	80	80

Figure 1. A Model of Regional Governance