

## Polycentric Incorporation of Localities in Metropolitan Area (Notes on Theories)

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### Abstract

In the field of Public Administration, the issue of Polycentric Incorporation of Localities in Metropolitan Areas (PILMA) has long been a significant object of study. That the issue is politically impractical to deal with is today's well-known assessment of it both for the scholars and practitioners. This theoretical notes constitutes an initial plan for examining an intellectual state of affairs surrounding PILMA. It identifies three theoretical problems inherent in the traditional treatment of the issue: Applicative Scope of Market Type Solution; Negative Externality and Preference Revelation; Determination of Production Scale. Notes were composed based on the proposition that the traditional theoretical formulation has not been so much well constructed as to draw more attention and debate on the PILMA.

### I. Development of General Understanding of PILMA

In a century-old history of Reform efforts in American Public Administration, no undertakings has experienced more frustration than the issue of PILMA. It is well-known that, despite several consolidations of cities, or of city and county have actually occurred at the local level of government, most attempts to consolidate multi-nucleated localities in urban regions have largely been met with rigorous oppositions by the local constituents through the numerous referendum votings. Today, it seems that any reform effort towards consolidating PILMA is dormant in the field of practice of Public Administration.

But in the field of systematic understanding of Public Administration, it has almost reached at the status of a conventional wisdom in that many believed that the two theoretical camps have been confronting each other especially since WWII on the issue of reforming "Crazy Quilt" legal non-entity of metropolitan areas in the U.S.A., that is, on the issue of PILMA[1]. According to this general belief, the people with the Reform position has been arguing for consolidating the extremely fragmented local communities operating their own local governments in the widely sprawling urban regions.

Reformers wanting to consolidate PILMA believed that this kind of politico-administrative disorganization of metropolitan region contains an inherent structural flaw. The scholars with the reform mind have critically insisted that PILMA with its peculiar form of institutional fragmentation has ignored the fact that a metropolitan area has been constituting virtually a single socio-economic community. In other words, it has been incapable of making metropolitan-wide decisions because of its fragmented, and hence, wrongly structured jurisdictional and politico-administrative configuration.

In the meantime, a more or less contrasting perspective to the Reform theory on the reality of PILMA has begun to attain a theoretical stance after the WWII. At the outset, this position tried to argue for or to justify multi-nucleation of localities in the metropolitan areas in terms of its institutional functionality. They have insisted that consolidating the existing form of polycentric organization would result in a huge monocentric bureaucracy substituting inherently democratic PILMA. To them, fragmentation is simply an wrong conception of PILMA. These scholars believe that PILMA is capable of making metropolitan-wide decisions through its system-like functioning. Nowadays, the scholars with this kind of perspective are known as Public Choice theorists within the community of Public Administration.

However, the following notes present a survey of the nodal points that can make it possible to reconsider critically this stereotypical depiction of the Reform/Public Choice Framework on understanding PILMA. If successful, these three points will be helpful for us to concern that there might have been no substantial and meaningful exchange between the two camps in our typical dichotomy. If it is not possible to see any conceptual consistency in the Public Choice position, it is, in turn, possible to say that the framework regarded as an adequate ground of the general belief on Public Administration of PILMA constitutes sort of a pseudo-confrontation because there is no such coherent theoretical position as Public Choice. Deeper theoretical understanding of PILMA intended by framers of Reform vs. Public Choice will not occur as long as the dichotomy in the framework does not hold.

## II. Applicative Scope of Market Type Solution

In 1956, Charles Tiebout published a seminal article on Economic Theory of PILMA[2]. It is obvious that Samuelson's influential conceptualization of public goods[3] dissatisfies Tiebout greatly. He definitely suggests an alternative concept of public good to Samuelson's. But his contribution has been reaching at the further distance to and affecting the wider fields of studying public affairs.

Tiebout's presumption that his theoretical analysis cannot be fully applied to the financial administration of the national government has never been noticed as one of the main assumptions of his total system. From the beginning of his seminal work of 1956, Tiebout convicted that his theory presented a simple model which yielded a solution for the optimal level of expenditures for local public goods. He believed that an application of his theory to local level of government reflected the preferences of the population more adequately than it could be reflected at the national level.

Five years later than Tiebout's work of 1956, Ostrom, Tiebout and Warren had published another version of theoretical inquiry on PILMA in 1961[4]. With respect to

applicability of their theory, they insist that polycentric political systems are not limited to the field of metropolitan government, and that the concept of polycentricity is equally applicable to regional administration of water resources, regional administration of international affairs, and to a variety of other situations. But, in the PILMA theory of 1961, Tiebout's presupposition of governmental institution characterized by applicative limit of his theory imposed majorly on local level was mysteriously disappeared from conceptual boundaries theorized by the three polycentrists, one of which was Tiebout himself.

It may be that significance of Tiebout's self-acknowledged limit of his own theory on the local level, only one of multi-level structure of the national system of government, has been ignored by the readers of Public Administration for a long time. In addition, we saw that an application of the polycentric theory to PILMA had no intention to confine its applicability only to local level of government. To polycentrists, there is no limit in applying their theory to the level on which the national governments operate. The difference must be clear enough because both Tiebout and polycentrists have made their applicative premises on governmental institution clear, respectively. Also, it must be thought of as a significant issue if we are concerned with political history and constitutional future of the modern democratic state.

## III. Internalization of Negative Externalities

Tiebout's notion of forcing the consumer-voters to reveal their preferences is consisted of the two central conceptions, PILMA as a social institution and Voting-With-Your-Feet as a consumer behavior of revealing preferences. In Tiebout's system, market competition is related to PILMA, and consumer choice to Voting-With-Your-Feet. Regardless of spheres of choice, public or private, his examples consistently describe the cases for positive external economies. Whether his selection of instances of choice behavior is arbitrary or intentional is not clear. Slum clearance or urban redevelopment and radio broadcasting are the cases in

point. But, his analysis of national defense is not so much well fit to his relating of institution to behavior as the former two examples.

Ostrom, Tiebout and Warren's conception of indirect consequences does not require a somewhat rigid distinction between positive and negative externalities as in Tiebout's theorizing. They see that market activities do not show any particular strength in internalizing positive and negative spillover effects. Rather, a primary function of government activities lies at how much successful in internalizing various externalities, according to them. They did maintain that control or internalization of diseconomies usually falls upon public agencies, and that a function of government, then, is to internalize the externalities – positive and negative – for those goods which the producers and consumers are unable and unwilling to internalize for themselves. The three polycentrists insist that this process of internalization is identified with the "public goods."

Revelation of preference realized in the mobility of people and, by extension, of business is considered as the consequence of enforcement exerted by PILMA on them. This mechanism will push local governments of the metropolitan regions to the edge of financial tension which, in turn, will eventually discipline them fiscally. Tiebout believes that the mechanism is identical with the one occurs in the market. Within his conception of process for acquiring optimal distribution of resources, there seems no room to locate negative externality which is too much antithetical to be compatible with the notion of economic rationality of market type pricing. Maybe it has no philosophical connection to the internalization of indirect and negative effects of any activities of constituents, whatsoever. Since the internalization of them is the central thesis in justifying the function of government to the polycentrists, regarding Tiebout and polycentrists as constituting one theoretical camp is groundless.

#### IV. Determination of Scale of Production

If we understand Tiebout's system in the context of price theory, it is not difficult to conceive the optimal

level of production of local public goods. When we assume that his system works perfectly in the context, the total amount of local public goods produced is determined by the intersection of demand and supply of such goods in a given polycentralized region. In theory, this amount represents an optimal scale of production for local public services.

Ostrom, Tiebout and Warren's conception of scale for the production of local public goods may be dramatically incoherent to Tiebout's market type determination of the production scale. They identify four conceptual criteria determining the production scale of an autonomous locality in PILMA; Control, Efficiency, Political Representation and Local Self-Determination. According to Polycentrists, the various considerations and decisions involved in the process of incorporation of a municipality determines its production scale of the bundle of local public goods. Therefore, to polycentrists, determining the scale of production of municipal type public services is deciding and implementing production capacity for a local government realized through an autonomous political process. To them, question of scale is nothing but internal question of constituting autonomous local polities rather than question of production of services imposed externally by market type mechanism on local governments operating in a polycentric metropolitan region.

It seems impossible to utilize the concept of optimality drawn from Tiebout's solution for a proper understanding of the polycentrists' assumption of scale of administrative capacity, which is purely political. Tiebout and the polycentrists share the object of their theoretical inquiries, PILMA. But, they provide for us with the two different paths of reasoning on a particular governmental institution in terms of how to determine an optimal level of production of public services.

#### V. For A New Framework for General Understanding of PILMA

As we have browsed, public choice position on PILMA has showed a drastic conceptual inconsistency. Philosophical disjunction between Tiebout and

polycentrists does not allow us to view them as constructing a singular and coherent theoretical perspective. Then, the consolidationists do not have a counterpart within the generally accepted duality in the framework of Reform vs. Public Choice.

If our general understanding of PILMA contains epistemic shortcomings, it mainly stems from a ready acceptance of duality as an appropriate formulation to induce systematic and fruitful discussions among interested analysts on the subject. This kind of epistemic inadequacy in the framing strategy will go unnoticed farther as long as we refuse to discard a presupposition that Tiebout's work of 1956 and Ostrom, Tiebout and Warren's study of 1961 together constitute a single theory of PILMA.

#### ■ References ■

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