

als, groups, and organizations. Influenced by behavioral theories of politics and the marble-cake metaphor of federalism, all three approaches try to find explanations for structural differences in government institutions in terms of relationships among elements at the national, state, and local levels. I have offered instead an approach to the study of federalism that identifies the structural features differentiating central from local institutions and that then links these structural features to the processes of intergovernmental policy formation.

Only the simple elements of a theory of federalism have been provided thus far. To highlight fundamental features, contrasts have been drawn starkly. The sharp differences between redistributive and developmental policies have been etched, and I have emphasized the basic differentials in the orientations of national and local governments. A more complete analysis must take into account at least some of the many shadings in between. A beginning is made in this direction in chapter 5. Some of the differences between local governments are taken into account when the contrasts between central cities and their suburban hinterland are explored. At the same time I consider a policy that is particularly difficult to characterize in general. At different times and in different places it may be either redistributive, developmental, or allocative. Its effects vary with the governmental context in which the policy is executed. It is no wonder that few policy questions have received as much research attention as the effects of schooling.

## Cities, Suburbs, and Their Schools

Local governments are not all of a piece. Some local governments are well equipped to pursue their economic interests; other local governments operate under constraints that limit the efficiency with which they can develop their economic base. These differences among local governments can be found in every area of substantive government policy, but it is in the operation of local schools that they are most easily discerned. Schooling is the most costly of all local government activities, and its operations touch directly on the lives of many, if not most, of the families living within the community. City school operation can significantly affect community prosperity. At the same time, the structure of the schooling system affects the equality of educational opportunity in the society.

The two objectives run at cross-purposes with one another. As previously stressed, the local interest in economic growth all but precludes a commitment to redistribution. The consequences are particularly significant for education. In the first place, Americans have placed a particularly high premium on equality of educational opportunity. Much earlier than European societies, the United States expanded its educational system at elementary, secondary, and higher education levels. Although in the United States provisions for social security and health insurance have lagged behind other industrial societies, state-provided educational services have until very recently been more ample and better endowed in the United States than anywhere else in the world.<sup>1</sup> Americans, it is said, are committed to equality of opportunity, if not to equality of result. Second, Americans have stressed the importance of local financing and local control of the educational system. Whereas in most European countries schools are financed heavily by the national govern-

ment, in the United States 80 percent of educational financing is by state and local governments, as shown in table 4.4. Indeed, these figures, which include expenditures for higher education, overstate the amount of federal assistance to elementary and secondary education; the early years of schooling are the particular prerogative of local government. Ironically, schooling, the service-delivery system said to best exemplify America's commitment to equality, is largely provided by the level of government least able to engage in redistribution.

As has been indicated previously, schooling is not necessarily a redistributive policy. Indeed, one can imagine a school system distributing educational services in a fashion so consistent with the city's economic interests that one would properly classify it as a developmental policy. Consider a system of schooling such that services are provided to those families who exchange for them a sum of equal market value. Because the family is willing to pay for the schooling and because those providing the schooling are willing to do so in return for this payment, the exchange increases the net utility of the community. Everyone is better off than he would have been without the exchange—the very definition of a developmental policy. Following Pareto, one might also label such a system an efficient system of education. Within this efficient system, those paying the most for school services receive the most in benefits.<sup>2</sup>

A redistributive school system, on the other hand, treats all children (except, perhaps, the handicapped) in any given age cohort as equals. Each child receives the same educational benefits, regardless of his family's income, social position, or contribution to local tax coffers.

In short, schooling services can be classified as more of a developmental policy or more of a redistributive policy depending on the degree to which the benefits of schooling are distributed either in proportion to the amount paid for the services or to all members of the community equally.

### Emergence of a Dual System of Education

There is now some evidence that a dual system of education may have emerged in metropolitan areas. The part located in central cities may be a modestly successful agency of redistribution. The other, located in a vast array of small suburbs, is organized in such a way as to facilitate developmental objectives. The imbalance between the social objectives pursued by this dual system may con-

tribute to the contemporary urban crisis and preclude further contributions to equality by central-city school systems.

### Developmental Policies in Suburbia

In American suburbs competing school districts provide a range of educational services of varying quality, emphasis, and price. Consumers with the wherewithal to make their interest in, or demand for, high-quality (high-cost) education effectively find living quarters in communities that have reputations for excellent schools. Those with less effective demand (that is, with less interest in high-cost education or with lower incomes) choose homes in less exclusive parts of the metropolitan area. At the bottom are the "problem" suburbs, where both schooling benefits and the cost of purchasing or renting living space are much less. Tax rates also vary from area to area, depending on per capita taxable wealth and the effective demand for schooling. Altogether, the system, though far from Tiebout's ideal of perfect efficiency,<sup>3</sup> dispenses benefits roughly in accord with the amount of taxes paid for them.

Two separate research traditions have generated evidence that lends some credence to the belief that suburban educational benefits are distributed roughly in accord with economic demand for them. The first tradition has emphasized the great variation in expenditures among locally financed school districts. For example, Miner found in a national sample a coefficient of variability of .72 among school districts in expenditures from state and local resources.<sup>4</sup> Moreover, both Miner and other researchers discovered that these differences were strongly related to the fiscal capacity of the state and locality.<sup>5</sup> More recently, Grubb and Michelson have demonstrated that interstate inequalities remained relatively constant from 1955 to 1968.<sup>6</sup> Even the increased federal role in educational finance had done little to reduce interstate differentials. In addition, substantial intrastate inequalities among school districts were evident in all fifteen of the states they investigated.<sup>7</sup>

Variations in interdistrict expenditures are also related to variations in the fiscal capacity of families. Those with more income tend to live in districts where expenditures are greater, and as a result those who have more effective demand for education receive more educational benefits (as measured by expenditure data). The results of a 1960 survey of families showed that just as property taxes paid increased with income, so did educational benefits received.<sup>8</sup> These data did not provide information on the exact sums spent on the individual children of the families surveyed; instead, it was assumed that these children received a resource allocation identical to that of

the average child in the district they attended. The data therefore are probably a conservative statement of the extent to which family income and educational benefits are related. However, they provide a clear demonstration that the great variability in expenditures among school districts contributes to differentials in educational expenditures across income groups.

These data were collected on a nationwide basis. Evidence on patterns specific to suburbia are available only for particular metropolitan areas. In an early study, Hirsch found that variations in local property values were the most important determinant of school expenditures in the metropolitan area surrounding St. Louis.<sup>9</sup> Sacks and Hellmuth found a positive relationship between the personal wealth of a community and its expenditures in an investigation of suburban districts near Cleveland.<sup>10</sup> Studies of suburban areas in Chicago and Santa Clara, California, also found per capita income and property values to be important determinants of expenditure.<sup>11</sup> In general, those suburban communities with greater economic resources provided a financially more luxurious educational experience for district children. Those who paid more in taxes received more in educational benefits, as measured by per pupil expenditures.

A second tradition of research on educational services provides information on the degree to which suburban families value the products local school systems are providing. This research has shown, first of all, that educational benefits, as measured by tests of verbal ability, have a value in the marketplace. Two separate studies, one of New Jersey suburbs, the other in the Los Angeles area, demonstrate that as performance on verbal ability tests improves, community property values climb.<sup>12</sup> In both studies many other factors affecting property values, such as the size and age of the home, the accessibility of the community to centers of employment, the community tax rate, and (most important) median family income, were controlled in a multiple regression analysis. Given the control for family income, one cannot explain away the finding on the grounds that communities with high property values produce children who perform well on tests. Apparently, consumers of educational services believe that schools do affect the performance level of children, and they place a high value on those schools where children learn more.

There is a second finding in this research tradition which suggests even more clearly that suburban school systems are reasonably efficient at promoting local economies. When educational benefits are measured by expenditure levels and not by test scores, school services continue to have a positive effect on property values. Signi-

ficant positive effects of educational expenditures on property values have been identified in suburban communities in New Jersey, Illinois, Massachusetts, and California.<sup>13</sup> In all these studies, the findings held, even after controls for median family income, tax rates, and home age and size had been introduced.

Educational expenditures have a positive effect on property values because consumers perceive some relationship between dollar inputs into education and the outcomes of schooling. Admittedly, the utilization of resources seems to be less than perfectly efficient for promoting economic growth. In most studies the positive effect of increased educational expenditures merely offset the negative effect on property values of increased local taxes. Moreover, educational expenditures generally do not have as significant an effect on property values as do verbal ability test scores, suggesting some slippage between educational input and output. But even with these qualifications there is a reasonable amount of evidence that suburban educational systems promote local economies. Suburbia may not yet approximate Tiebout's ideal world of the perfectly efficient system for distributing public goods, but at the very least market forces respond as if consumers value the school services suburban governments provide.

#### Redistributive Policies in Central Cities

If suburban schools have developmental policies, central-city schools in the dual system of metropolitan education lean more in a redistributive direction. Big-city school systems fall within a single large school district governed by a central board of education which has delegated most of its power to a highly centralized administrative staff. These administrators, often in the name of efficiency, have rigorously applied principles of equality and fairness to the distribution of resources among neighborhood schools within the central city.

Partly to reform education and partly to enhance their own power, big-city school superintendents developed universalistic rules for the distribution of scarce school resources.<sup>14</sup> All schools were allocated similar teacher/pupil ratios, similar classroom sizes, similar textbook/pupil ratios, similar extracurricular facilities and supplies, and so forth. Variation and diversity encouraged political pressures by principals, community groups, politicians, and board members. Generalized principles for the distribution of school resources protected administrators against pressure, enabling them to claim that every pupil was being treated equally and fairly. These principles also provided for a certain kind of efficiency that the accountant could appreciate, though the superintendent's brand of

efficiency had little in common with the Pareto-optimal efficiency about which economists write. On the contrary, it helped to ensure a far greater equality in educational provision within the central cities than almost any theory of community power might have anticipated.

Only a few systematic studies of the distributional policies of big-city school systems have been published, but the findings are surprisingly consistent. Burkhead found both in Atlanta and supposedly "machine-ridden" Chicago that resources were distributed even-handedly to schools serving all income categories so that expenditures per pupil, teacher/pupil ratios, expenditures for supplies, and most other items of resource distribution were approximately equal.<sup>15</sup>

When Katzman compared his results in Boston with those of Burkhead, he concluded, "The three cities [Boston, Atlanta, and Chicago] are strikingly similar in the relatively equal distribution of expenditures per student."<sup>16</sup> Levy, Meltsner, and Wildavsky found a rough equality in the distribution of resources in Oakland, California.<sup>17</sup> In this case, however, there was a tendency to allocate extra resources to schools in both the poorest and the richest neighborhoods. If these four cities from four different regions of the country are at all representative, then Katzman is surely correct in concluding that "big cities more effectively narrow the gap in educational opportunity than do the multitude of autonomous suburbs."<sup>18</sup>

The one exception to this pattern is the differential in teacher salaries among central-city neighborhood schools. Burkhead, Owen, and Grubb and Michelson all find differentials in expenditures among neighborhoods that are the product of "allowing experienced teachers to choose in which school they wish to teach, resulting in the experienced (and highest paid) teachers being concentrated in white, middle-class schools."<sup>19</sup> Yet there is little evidence that experience beyond the first four or five years of teaching correlates positively with pupil performance.<sup>20</sup> If this is the primary mechanism by which central cities bias school resources in favor of higher taxpaying neighborhoods, they have chosen a most inefficient mechanism for calibrating service delivery to tax contributions. By comparison, salary differentials in suburbs enable the more prosperous suburbs to recruit the more talented teacher from the very beginning of his career in the community. But even taking into account differentials in teacher salaries among central-city neighborhoods, within-city differences do not match intercity differences. In Owen's words, the "income elasticity of salary expenditures [within central cities] is about half of some estimates of intercity elasticities of educational expenditures."<sup>21</sup> This provides a "rough measure of the extent to which centralized administration of large-city educa-

tional systems has reduced inequality based on income differences."<sup>22</sup>

To the extent that central cities provide equality of educational resources, this comes at the expense of the development of the big-city economy. Those who pay more in taxes for schooling in central cities may not receive much more in benefits. Instead, the more prosperous families living in the central city are subsidizing the education of their poor neighbors.

### Suburban-Central-City Differences:

#### The Evidence from Data on Verbal Ability

If these differences between central-city and suburban school systems are significant, they can be expected to affect the determinants of a child's performance on verbal ability tests. Indeed, one of the ways one can estimate the extent to which a system of schooling is pursuing developmental policies is by identifying the strength of the relationship between a child's performance on a verbal ability test and the amount a family pays for the child's schooling. If the system has a developmental orientation, there is a correlation between a child's performance and family payments for educational services. Moreover, differentials in performance between children from families who pay more for educational services and children from families who pay less increase steadily with amount of time in school. If the system is redistributive, performance on verbal ability tests is only weakly associated with family background, and whatever variation in verbal ability is initially associated with family background characteristics steadily declines over time.

#### The Coleman Study

When analyzed with care, the data collected by the United States Office of Education under the direction of James Coleman (hereinafter referred to as the Coleman study) reveal a system of schooling in the United States which was in northern states only marginally redistributive in 1965.<sup>23</sup> Table 5.1, which is taken from the Coleman study, presents data only for northern blacks and whites in grades 6, 9, and 12, because data collected for the South, other minorities, and younger children are of a more dubious quality.<sup>24</sup> This table reports the central findings from the Coleman study: (1) family background characteristics have a strong impact on verbal ability at all grade levels, and (2) school and teacher characteristics make the most minimal "unique" contribution; that is, they have little effect apart from the conjoint effects they share with the child's family background.

the amount of variation explained increases over time. Since they attend suburban schools operating in accord with developmental policies, class differentials increase. For blacks the amount of between-school variation is much lower, and it declines as the child progresses through the educational system. Since they attend central-city schools with redistributive policies, class differentials, never great in the beginning, ebb away.

### Conclusions

Suburban towns are small enough that they often can do much to maximize the value of their community property. Because of their limited size, they can modulate their local policies to suit the particular preferences of a relatively small number of residents. Through zoning laws they may even be able to achieve roughly equal contributions in taxes from all residents, thereby minimizing interresident variability in the benefit/tax ratio. The most favorably placed of these suburbs can, if they wish, attract the most productive elements in the metropolitan area. Communities can even zone out unpleasant, though productive, commercial activities in favor of quiet, residential gardens that become the most socially exclusive preserves in the metropolitan area. High-quality public services can be provided to all residents without any resident suffering a particular adverse benefit/tax ratio, because all residents pay roughly the same amounts for the services. Redistribution is kept to a minimum.

The central city cannot afford such an exclusive zoning policy; maintaining its economic base is far too pressing a concern. Yet it services such a large and diverse set of residents that it cannot escape from engaging in a considerable degree of redistribution. To some extent, service provision can be differentially provided among neighborhoods, so that the well-to-do, who pay more, receive more in services. But the central city is limited in its capacity to allocate resources differentially. In the first place, constitutional stipulations require that governments treat citizens in similar circumstances in much the same way. Great differentials in public service provision that corresponded to the great differentials in taxes paid could probably not stand a constitutional test. In suburbia, however, the separation of government into many small, competing parts allows for varying levels of service that have not been successfully challenged on constitutional grounds. Second, standardization characterizes the delivery of big-city services on a large scale. Partly because bureaucracies are committed to universalistic norms, partly because bureaucracies want to protect themselves from political pressures,

and partly because administrative efficiency requires the implementation of standard operating routines throughout the organization's geographical reach, central cities tend to provide similar services throughout their jurisdictions. With uniformity comes redistribution, and with redistribution comes damage to the city's economic interests. By comparison, one finds in suburbia many administrative jurisdictions, each with its own policies, servicing divergent populations at a multiplicity of different levels. Redistribution in service delivery is once again kept to a much reduced level.

In this chapter these points have been exemplified with reference to educational policy, the largest and most costly of local government services and the one for which the highest quality (though still imperfect) set of data on policy consequences is available. Yet the findings seem generalizable to a wide range of policy areas. What is characteristic of central-city schools is probably also characteristic of central-city fire departments, sanitation departments, recreation programs, park districts, and street maintenance programs. There will of course be some inequality in the benefits received from these services. The higher income groups who pay more in taxes probably receive more of the benefits. Their streets are probably cleaner, their parks are probably more conveniently located and better maintained, and their garbage may be collected more efficiently and frequently. But even though services are not equal in central cities, at least some redistribution seems to occur. The tendency to uniformity in service provision precludes a careful calibration that relates benefits received to taxes paid along the lines that seem quite feasible in suburbia. Consequently, in the daily operation of routine services cities are less well equipped to pursue their economic interests than are their suburban neighbors.

At one time these differentials between cities and suburbs were a minor nuisance. Because cities were located at the nodal points of fixed water and rail transportation networks, they monopolized the most valuable land in the region. Whatever differences existed in local taxes and expenditure policies, these weighed lightly on a scale where the physical location of cities sat so heavily. The largest and most powerful of cities could exploit the great wealth their location generated to provide a level of public services that far outstripped the outlying communities. As was shown in chapter 3, redistributive policies are the prerogative of those local governments that command comparatively great economic resources. At the turn of the century and even up to World War II, the comparative advantage lay so one-sidedly with central cities that they could ignore the impact of a suburbia that had found a way of escaping the costs of redistribution.

The changed transportation and communication systems of the postwar period have challenged the dominance of central cities. Transportation systems are no longer fixed, streets and highways now connect almost all spaces in a metropolitan area in a more or less evenhanded way, and no community has a monopoly on critical land in the way central cities once did. The level of intercommunity competition both within metropolitan areas and among them has greatly increased. What governments do to enhance the economic well-being of their communities has become much more critical.

Central cities have been slow to recognize these changes in their economic and physical environment. Their policies, a reflection of a more prosperous era, are now only slowly adapting to the more competitive circumstances of today. The luxury of redistribution which was once possible is becoming increasingly difficult to sustain. Cities are beginning to cut back the most ostentatious features and are asking the federal government to assist them with others. In the meantime, the process of migration from central cities continues, as residents search for a locale where they can receive the most for what they pay in taxes. As a doctor friend of mine said recently of the small Wisconsin town to which he had moved, "I don't mind paying taxes here because you see your tax dollars working for you."

### City Limits and Urban Politics

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