

THE ANALYSIS OF LOCAL PUBLIC ECONOMIES

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With Preliminary Application to Cape Cod

Topical Outline



- I. Understanding economies of scale
- II. Multi-organizational Arrangements (MOAs)
- III. Criteria of Control and Fiscal Equivalence
- IV. Regional Governance Issues
- V. Sustaining Civic Engagement

Economies of Scale



- As production increases, the cost of production decreases—up to a point
- Increasing returns, Constant returns, Diminishing returns
- Scale economies are always limited

Labor-Intensive Services...



- Scale economies are quickly exhausted.
- Returns to scale are constant over a considerable range.

Complex Services



Services composed of several distinct components

Police: patrol, dispatch, investigation, forensics, training.

Multi-Organizational Arrangements (MOAs)



- Organize a service sector
- Allow different agencies, organized at different scales, to produce different service components
- Depend on inter-agency coordination
- Exhibit strong incentives to cooperate.

Counter-intuitive Results



Why not reduce the number of police chiefs to save money?

- Limited span of control
- Pay levels tied to number of personnel being supervised
- Labor productivity declines as department size increases.

Other Factors



- Routine services → Larger scale
- Co-production → Smaller scale

Provision



Collective decisions that determine . . .

- What goods and services to provide
- What private activities to regulate
- Amount of revenue to raise
- Quantities and quality-standards of each service
- How to arrange for production and delivery

Criterion of Control



Public services seek to intervene. . .

in some set of events.

Fire suppression → Putting out a fire

Police protection → Deterring or stopping crime

Trash collection → Keeping a locality clean and
sanitary

Sewering → Preventing water from
being fouled by waste

Events have structure...



- Some are localized
- Others are wide-reaching.

Provision Principle



A provision unit must be big enough to encompass the events in which it seeks to intervene.

Example: Sewering



- Optimizing collection and treatment together may depend on a single provision unit.

Example: Streets and Roads



- Smaller jurisdictions seek to slow traffic down, while larger jurisdictions want to speed it up.
- Both are needed.

Example: Land-Use Planning



- Historic districts and protected areas define specific cityscapes and landscapes for protection.
- Preserving visual qualities over a larger area, such as Cape Cod, suggests a regional provision unit.

Fiscal Equivalence



People who benefit \equiv People who pay

Otherwise:

- If the provision unit is too small, some people benefit from a service without being included in the jurisdiction that pays for it: political demand for that service is understated.
- If the provision unit is too large, the beneficiaries of each service don't pay the whole cost: political demand for that service is overstated.

Regional Governance Structure



1. A multiplicity of political jurisdictions is needed to serve as provision units.
2. Political jurisdictions should be nested.
3. The umbrella jurisdiction should be not compete with underlying units.
4. Intermediate units are needed too.

Conceptualizing the County

- The role of county government varies from service to service--
- *Suggests a variable administrative structure rather than a single hierarchy.*
- County government ≠ County governance--
- *Civic associations and associations of town officials participate in county governance alongside county officials.*

To Nurture Civic Engagement...



- Build on historic strength of Massachusetts towns
- Consider greater use of 'Improvement Districts' in larger towns
- Reproduce civic engagement at the county level
- Use the civic space created by a multiplicity of jurisdictions.