City-County Consolidation in St. Louis: An Analysis

By Joshua Hall and Josh Matti

The Hammond Institute
CENTER FOR ECONOMICS AND THE ENVIRONMENT
AT LINDENWOOD

The Center for Economics and the Environment is an economics research center in the John W. Hammond Institute for Free Enterprise. Its focus includes policy-oriented research on the business and economic environment, particularly of state and local economies.

CEE Policy Series
Number 34

2018

A version of this paper will appear in the *Missouri Policy Journal*, Number 8, Spring/Summer 2019.

EXECUTIVE SUMMARY

This report provides an analysis and evaluation of the proposed city-county consolidation in St. Louis. The report draws upon theoretical research considering the impact of local government consolidations on efficiency, equity, spillovers, and development. Where possible, we connect the ideas from the academic literature to arguments made regarding the situation in St. Louis. After exploring both the theoretical reasons for and against consolidation, we consider the real-world empirical evidence. Although city-county consolidations sometimes lead to positive outcomes, often they do not. Importantly, the context of consolidation matters. By understanding the importance of context with consolidations, we conclude with five lessons for citizens and policymakers in St. Louis drawn from our understanding of the relevant research. Although there are local government problems in St. Louis, city-county consolidation is not necessarily the only or best way forward.

1. INTRODUCTION

The county of St. Louis is one of the most politically fragmented in the United States. According to Better Together,[1] a group in favor of municipal reform in St. Louis County, the county contains 90 municipal governments, 57 police departments, 81 municipal courts, and 43 fire districts. This political fragmentation has been argued to lead to a number of problems, including wasteful competition among local governments, inefficient duplication of services, an inability to coordinate efforts geared towards regional growth, and a disparity in services across the county. Many of these complaints regarding the consequences of political fragmentation in St. Louis County are not unique to Missouri, and the problems of excessive political fragmentation have been discussed in the academic literature for nearly 100 years.[2]

In this paper, we aim to bring a discussion of the scholarly literature to the debate surrounding local governance in St. Louis County. In particular, we focus our attention on city-county consolidation. We do so for two reasons. First, much of the discussion of reform in St. Louis has focused on city-county consolidation.[3] Second, city-county consolidation has been a major push in many metropolitan areas of the United States over the past 50 years. These consolidation attempts, and the findings of the scholars that have studied them, can give policymakers some insight into opportunities for improvement in regional governance and potential pitfalls to avoid. As authors of two recent papers on city-county consolidation, we employ our understanding of the literature, combined with our own original research, to provide citizens and policymakers of St. Louis County with insights and lessons from the academic literature on city-county consolidation.

We proceed as follows. We begin by summarizing the theoretical arguments in favor of consolidation in Section 2, followed by the theoretical arguments against consolidation in Section 3. Where possible we try to link discussion from the academic literature to arguments made regarding the situation in St. Louis. Section 4 discusses the empirical literature on city-county consolidation. In Section 5 we provide five lessons for citizens and policymakers in St. Louis drawn from our reading of the relevant research. Section 6 provides some closing comments.

2. THEORETICAL ARGUMENTS IN FAVOR OF CONSOLIDATION

The United States traditionally has had a fragmented system of government. Currently, there are nearly 90,000 separate governmental units in the United States.[4] With one federal government and 50 state governments, the fragmentation of governments occurs at the local level. Local political units are divided into counties, municipalities, townships, school districts, and other special districts that serve a specific function, such as police districts. Over the last 100 years, there has been an increasing push to consolidate local governments. Policy makers and local activists have steadily reduced the fragmentation of local government through consolidation efforts. Concurrent with the real-world changes in local government, a body of scholarship in support of consolidation has emerged. Although studied by scholars across different decades and in different local contexts, their arguments in favor of consolidation tend to fall into four categories: efficiency, equity, spillovers, and development. This section explores each of these four theoretical arguments in favor of consolidation and draws connections between the theory and the specific context of St. Louis.

2.1 Efficiency

Scholars in favor of consolidation contend that simple systems of government are more efficient. A fragmented system of government with overlapping jurisdictions is not a simple system. It is complex, and its complexity can lead to inefficiency. In terms of government, inefficiency leads to higher costs and poor service provision. Scholars in favor of consolidation identify several ways in which larger governments operate more efficiently.

First, larger government can achieve economies of scale. Just as a larger factory can lead to lower average costs in the private sector, a larger government can theoretically lower average costs of producing goods and services in the public sector. With economies of scale, larger governments can provide services at a lower per unit cost. A related, but different mechanism can occur through bulk purchasing. A larger organization can reduce costs because of greater purchasing power.[5] The principle is simple: Sam's Club is cheaper than Walmart. Just as buying in bulk saves money for households, buying in bulk can lead to lower costs for governments, the savings of which can be passed along to taxpayers.

Another theoretical reason for economies of scale with larger governments comes from spreading the fixed costs of government programs across more people.[6] Services such as power and public transportation are capital intensive and require a large initial investment. But once built the marginal cost of adding an additional user is low. Thus, in smaller governments each citizen will bear a higher fraction of the large fixed costs of capital intensive services. Their tax bill will be higher to cover the cost, or the capital intensive service will simply not be provided. In a larger government, however, the high fixed costs of capital intensive services can be spread across a larger number of people. Thus, each citizen's tax bill is lower.

A third way large governments achieve economies of scale is through removing administrative duplication.[7] For example, two small municipalities likely have the same administrative structure and types of administrative employees: Each municipality is likely to have its own public works department, zoning commission can be em, etc. Such duplication can be wasteful. Rather than duplicated administrative structures and employees, a consolidated government can cut operating costs through a single administrative system with a streamlined number of employees.

The second efficiency argument for consolidation related to economies of scale is economies of scope. Economies of scale are achieved through lower average costs when providing a larger quantity of a single service. Economies of scope come from the cost of providing a diversified set of services within a single government being less than the cost of several specialized governments providing the same services.[8] For example, rather than separate dispatch centers for police and fire departments, a unified dispatch center for police and fire departments would be more efficient.

The third efficiency argument for consolidation comes from a careful study of what the nature of fragmented government in the United States is like. Of the approximately 90,000 governments in the United States, over half are school districts or other types of special districts.[9] Special districts are designed to achieve efficiency through their focus on providing a single service, such as fire, police, public utilities, and housing authorities. Although special districts could be efficient, special districts can be controlled by special interest groups. With a focus on a single issue, special districts tend to be less politically visible, allowing groups with a vested interest in a specific issue to exert greater influence.[10] For example, teachers are more than twice as likely to vote in school district elections as other registered voters.[11] Special interest influence erodes efficiency as policy is shaped to suit special interest rather than the more general public interest.

Additionally, special districts can result in higher costs because they face less competition. In the marketplace, more competition leads to lower costs and higher quality. The same is true with government. More competition can lead to lower costs of operation and thus lower taxes and better service provision. However, different types of special districts are not in competition with one another.[12] For example, a school district and a public utility company may operate in the same geographic area, but they provide different services and are therefore not competitors.

Another way special districts lack competition is with the high cost of moving to another jurisdiction because of one service provision.[13] For example, if all services are provided by a municipal government and the municipal government in doing a poor job of providing all the services, citizens may relocate to a municipality with better governance. Governments face competition because the threat of losing citizens through migration to other municipalities. The threat of moving is muted when citizens receive services from a plethora of special districts, however. Consider the case of citizens living in an area where the public utility company is inefficient. Moving because of one poorly provided service is unlikely, especially if other special districts, such as a school district, police department, and fire department, operate efficiently. With less of a threat of moving, special districts face less competition, and the lack of competition can erode efficiency.

Efficiency arguments for consolidation have been prominent among scholars over the last 100 years. Efficiency also has been part of the debate over St. Louis city-county consolidation. Those in favor of consolidation have felt a general sense that fragmentation is unnecessarily complicated. Two reports have provided specific examples that support the general sentiment of consolidation as efficiency-enhancing. One report, conducted by The PFM Group in 2011, estimated the efficiency gains from a variety of collaboration possibilities between the City of St. Louis and St. Louis County.[14] The other report, conducted by the pro-consolidation group Better Together, argues for consolidation for a variety of reasons, including efficiency.[15] Although not referenced in either report, the arguments in each are related to the scholarly body of research in favor of consolidation.

The research argues that economies of scale exist in larger governments because of lower input prices due to greater bargaining power,[16] removing administrative duplication,[17] and spreading fixed costs across a larger number of citizens.[18] Each reason also has been voiced within the St. Louis consolidation context. With greater purchasing power through consolidation, a unified St. Louis would save money on insurance and raw materials, such as asphalt and salt[19] For example, The PFM Group estimates $2 million in savings each year from merging insurance plans for public employees.

In line with Adams,[20] achieving greater administrative efficiency has been prominent in the St. Louis consolidation debate. With 684 local elected officials (more than Congress) across the region and the departments they oversee, there is substantial potential for reducing administrative duplication.[21] For example, one suggestion has been to centralize the process of hiring and training new employees, particularly in the area of healthcare.[22] More streamlined hiring and training means fewer administrators and offices are needed. Besides specific ways of reducing administration costs, Better Together[23] compares St. Louis to similar areas that have consolidated their governments. They find that the merged Louisville-Jefferson County government has 41% lower per capita administration costs than in St. Louis. While many argue for greater administrative efficiency through consolidation, some remain skeptical. Greenblatt casts doubt on the magnitude of savings possible by merging the small municipalities in the county.[24] The small municipalities, those with 6,000 residents or less, only account for 4% of all metropolitan spending across the county.

Consistent with Ostrom, Better Together has identified ways in which the current fragmented system fails to provide capital-intensive services efficiently.[25] An example is the small fire departments across the county that currently cannot afford heavy rescue squads or hazmat teams. Individual municipalities simply are not large enough to spread the fixed costs of the expensive equipment required for heavy rescue squads or hazmat teams across its citizens in a cost-effective way. However, consolidated government could afford dedicated heavy rescue squads and hazmat teams.

2.2 Equity

Arguments in favor of consolidation based upon equity considerations fall into two categories. First, fragmentation acts as an institutional barrier that helps promote racial segregation and wealth disparities.[26] In this theory, Hill elites use zoning restrictions to prevent poorer residents from living in their jurisdictions. The result is enclaves of wealthy, white suburbanites and pockets of poverty in minority jurisdictions, both in the central city and in older inner-ring suburbs. A vicious cycle of racial and wealth discrimination arises as fragmentation reinforces preferences for separation along these two dimensions. Fragmented governments can more easily operate along racial and wealth dimensions. With greater separation, trust and sympathy among different races and wealth classes declines, which leads to even greater desires to formally separate society into local jurisdictions comprised of homogeneous residents.[27] (Lowery 2000).

The second set of theoretical arguments for consolidation based on equity concerns pertains to the Tiebout model.[28] The Tiebout model is often framed in terms of enhancing efficiency. Rather than people sorting into different jurisdictions based upon the efficiency of local governments, however, people sort into different jurisdictions based upon racial and wealth dimensions. Lifestyle preferences divide people into different social worlds,[29] so that sorting into local jurisdictions is not about efficiency but instead about maintaining lifestyles.[30] This results in racial segregation and wealth inequality across local jurisdictions. Consolidation breaks down the jurisdictional barriers that sort people into different social worlds.

The Tiebout model also can explain why large scale income redistribution programs are not likely at the local level. In the Tiebout model, local jurisdictions compete with each other for tax revenue sources (residents and businesses). Since high-income earners and businesses are highly mobile[31] and are the largest sources of tax revenue, Tiebout competition prompts local jurisdictions to underprovide redistributive services.[32] While poor households would prefer more redistributive services, with fragmented governments they can be more easily neglected as local jurisdictions cater to businesses and wealthy residents.

When Tiebout competition functions, inequality of income, wealth, and/or outcomes is the result. People often sort into different jurisdictions (e.g., school district)based upon race and income rather than government efficiency. Even if jurisdictions are similar in incomes, deviations in preferences for locally provided goods such as education, can lead to inequality of outcomes. Local jurisdictions cater to businesses and wealthy elites rather than poor households. However, if the Tiebout model fails to function, the result can be even greater inequality. The exit of businesses and wealthy residents can leave behind jurisdictions with a limited tax base from which even the most basic services will be underprovided.[33] Consolidation reduces equity concerns by drawing people out of their homogenous racial and income-based bubbles into a more unified, equitable jurisdiction.

As has been the case with other city-county consolidations, equity concerns are a primary motivation behind the push for consolidation in St. Louis. In both the historical and contemporary calls for consolidation in St. Louis, equity has been a relevant factor. Consistent with Hill,[34] the initial separation between St. Louis County and the City of St. Louis was headed by businesses and land-owning elites.[35] They wanted low taxes and a greater ability to generate wealth with less government interference.

Consistent with Lowery,[36] over time the separation of the city and county has fostered mistrust. Previous failed attempts to reunite St. Louis governments have occurred in part because either the city or county felt like the other side was getting the better end of the bargain and would become too powerful.[37] (Bose 2014; Jones 2014). For example, with the 1987 consolidation proposal, one mayor wondered if consolidation was "a secret, sinister plan in the works that would… dismantle all cities headed by black elected officials in St. Louis County?" (Bose 2014). One reason why consolidation has been difficult to achieve in the past is because of mistrust across jurisdictions lines that is exacerbated by racial and income differences.

Equity has been a concern historically, but it is also a concern with the current consolidation push in St. Louis. Better Together[38] documents many of the disparities in service provisions across municipalities in St. Louis County. The disparities tend to run along racial lines. It also descriobes the service provision disparity across two municipalities: Des Peres and Pine Lawn. Des Peres has a population that is 94.3% white, with a median household income of $116,000. Residents enjoy amenities such as a high-end recreational facility and zero-price trash and leaf collection. On the other extreme is Pine Lawn, with a population that is 97.7% black and a median household income of $26,632. The municipality can no longer afford a police department and restricted operating hours at a newly built park because of safety concerns. According to Better Together, these two municipalities highlight the service provision disparities that operate according to wealth and race.

2.3 Spillovers

Research has not only identified efficiency and equity as key benefits of larger, consolidated governments, but also the ability of larger jurisdictions to internalize externalities; that is, the benefits or costs of activity in one region that may spill over into other jurisdictions. Solé-Ollé[39] identifies two types of spillovers. 'Benefit spillovers' result from public goods produced in one jurisdiction being used in other jurisdictions. A radio or TV broadcast produced within one municipality that are enjoyed by residents of other municipalities is an example of a benefit spillover. 'Crowding spillovers' result from citizens of one jurisdictions crowding into the public goods of another jurisdiction. Recreational facilities, such as parks in one municipality, that become crowded by commuters and visitors from other municipalities is a type of crowding spillover. Theory identifies why fragmentation exacerbates spillovers and how consolidated can help contain spillovers.

Williams[40] explains how fragmentation creates spillover problems. Local government leaders make decisions based upon the costs and benefits to their constituents. When evaluating policy, they do not consider societal costs and benefits. If there are negative spillover affecting residents outside of their jurisdiction, government leaders often do not take these external costs into account. Thus, there will be an overprovision of the public good in one jurisdiction because the costs accruing to other jurisdictions is not part of the local decision-making process. Fragmentation exacerbates the problem of spillovers, because with smaller regions spillovers are more likely. With negative spillovers, public goods are overproduced: With positive spillovers, public goods are underproduced. And in cases such as air pollution programs where the benefits are spread widely across a region while the costs are concentrated, the public good may simply not be provided.[41]

With fragmented government, the problem of spillovers will be exacerbated. The solution is simple: expand the size of the jurisdictional boundaries. Larger, consolidated governments can overcome spillovers by drawing jurisdictional boundaries coterminous with the area enjoying the benefits and bearing the costs of the public good.[42] With larger jurisdictions, the costs and benefits of a project are contained within the region. In theory, the larger jurisdiction reduces spillovers, and public goods would be provided at the socially optimal level.

A primary motivation behind consolidation in St. Louis is related directly to the effects of spillovers. St. Louis municipalities engage in tax exporting. Rather than taxing their own residents, municipalities create negative spillovers by attempting to have residents from other municipalities finance government in their area. It is a politically expedient maneuver as citizens in the municipality enjoy a lower tax bill. However, from a regional perspective, it is not optimal because it can lead to expenditures that are out of line with voter preferences, since part of the cost of public services are born by non-residents of an area. It also tends to orient government activity towards encouraging development towards larger projects that attract visitors and thus leads to more tax exporting.

Better Together[43] identifies two ways in which tax exporting operates across St. Louis municipalities. First, municipalities battle over sales tax revenue. Local sales taxes have been legal in Missouri since 1969. Over time municipalities adopted specific local sales taxes to such an extent that sales tax revenue is the largest source of funding for 69 of St. Louis's 92 municipalities. In contrast, nationally it is property taxation that is the primary source for local government revenue. They also explain how the system may look appealing to an individual municipality, but is actually destructive for the region: "raising taxes on your own citizens is politically unpopular, while attracting retail and spreading the cost burden across a million potential customers levies an indirect tax on a far greater pool of people, many of whom do not have a vote in that municipality's local elections."[44] Reflecting the concerns of Williams,[45] benefits from government programs go to citizens of a municipality while the costs are borne by those outside of the municipality.

Municipalities attempt to export taxes by increasing their sales taxes and expanding their sales tax base. The battle over sales tax revenue has led to the inefficient use of Tax Increment Financing (TIF). TIF plans typically offer tax benefits to attract businesses to locate in a particular region. Given the small size of St. Louis municipalities, TIF has been used not to attract new businesses into the St. Louis region, but to entice a business to relocate from one municipality to another.[46] This benefits the municipality that attracts the business and new tax base but at the expense of another municipality from which the business fled. Sales tax exporting is not consistent with Adams,[47] because jurisdictional boundaries do not contain costs and benefits.

The second way St. Louis municipalities engage in tax exporting is through municipal fines and fees. Better Together argues that in municipalities that cannot generate sufficient revenue through local sales taxes, fines and court fees are used as revenue sources instead. In 2009 a large shopping center in the municipality of St. Ann closed. In response, St. Ann significantly increased traffic citations, and over the next four years, revenue from municipal fines and fees increased fourfold. Once again, local leaders considered only the costs and benefits to their citizens;[48] larger jurisdictional lines would better contain the costs and benefits.[49]

2.4 Development

Three reasons have been identified for why consolidation can increase economic development in a region. First, consolidation increases comprehensive planning capacity.[50] Larger governments can justify a specialized department focusing on development. Additionally, rather than smaller governments competing with one another to increase development only in their jurisdiction, larger governments facilitate cooperation to maximize development across the broader region.

Second, consolidation simplifies the regulatory process.

With a single department to deal with, business activity comes with less uncertainty and fewer costs of doing business. As Feiock and Carr point out, with a unified development department in a consolidated government, businesses do not have to deal with obtaining permits from multiple agencies, but only a single department.[51] By simplifying the regulatory process, consolidated governments foster business expansion.

Third, consolidation enables large regional development projects. Consolidation leads to a large resource base that enables bigger projects to be financed.[52] Projects such as mass transit systems and sports stadiums are regional in nature and are best financed through a regional consolidated government. This is because if the benefits of a development project extend beyond the boundaries of a jurisdiction but the costs are borne within the jurisdiction, then projects that are socially optimal will not be undertaken.[53] For example, a sole municipality is unlikely to invest in a sports stadium because the municipality would bear the full cost while the benefits of being able to attend games or watch on TV would extend beyond the boundaries of the municipality.

Each of the theoretical reasons outlined above has surfaced in the St. Louis consolidation debate. Consistent with Fleischmann and Green,[54] Gordon[55] points out that the small municipalities in the St. Louis area compete with each other from the same pool of state government funding. With consolidation, the municipalities could cooperate to receive a higher level of state development funds. In addition to competing over state funding, St. Louis municipalities also compete for businesses. Rather than economic development to attract businesses from outside the region, municipalities are using economic development to attract businesses from neighboring municipalities.[56] It is a zero-sum game. When one municipality wins, another loses. Comprehensive planning at the regional level would be a positive-sum game. Attracting new businesses from other metro areas to St. Louis benefits the whole region. This competition with other regions rather than local competition has also been part of the debate in St. Louis. Lyda Krewson, the mayor of St. Louis, contends that municipalities are arguing over in which local municipality a new project should locate rather than thinking about how to compete with other metro areas.[57]

The theoretical literature also suggests that the regulatory complexity that accompanies fragmentation is bad for business.[58] The current regulatory systems in the area are highly complex and inefficient. Better Together[59] has identified two problems with the status quo. First, across the region, there are over 90 different ways of obtaining a business license. Different licensing requirements across different municipalities makes it costly (and difficult) for business owners to effectively establish and operate businesses across multiple municipalities in the St. Louis area. Second, most of the small municipalities simply do not have a dedicated development division to adequately deal with business licenses and other requests from businesses.

Consolidation should enable large regional development projects.[60] Support for consolidation in line with the theory has surfaced in the St. Louis debate. In a December 2017 newspaper interview, the president of the St. Louis Blues hockey team argued that the difficulty in securing financing for upgrades to the soccer stadium and ice hockey arena stemmed directly from government fragmentation.[61] The difficulty of financing large development projects extends beyond sports facilities. Better Together[62] argues that the existing municipalities are too small to enter the capital debt market to invest in basic development projects, such as the improvement to roads and bridges.

3. THEORETICAL ARGUMENTS AGAINST CONSOLIDATION

There is a tradition of fragmented government in the United States. Given strong sentiments among American citizens, it is not surprising that since 1815 only 39 out of 166 proposed city-county consolidations have been implemented successfully through a popular vote.[63] But the arguments against consolidation are not only felt by citizens: they have also been worked out by scholars over the last 100 years. Just like the arguments *for* consolidation, the theoretical arguments *against* consolidation fall into four categories: efficiency, equity, spillovers, and development. This section explores the research opposing consolidation in each of these four areas. As before, we draw connections between the research and the current debate in St. Louis.

3.1 Efficiency

Scholars skeptical of the efficiency gains of consolidation have developed theories demonstrating the inefficiency of larger, consolidated governments. The arguments fall into one of three categories: A fragmented system of government: helps keep costs down; benefits from increased competition; and most effectively provides what citizens want out of their local governments.

There are three reasons for why larger, consolidated governments are theorized to be less cost-effective. First, it is difficult to discern what the costs and benefits of any single service is if services are bundled.[64] If all local government services from public utilities to parks departments were bundled together, it would be difficult to know what value to the individual each service is providing. This leads to less public scrutiny over local service-provision, which reduces any incentives to keep costs down.

Second, with larger governments comes more complexity. Rather than a streamlined bureaucracy such as might be found with a smaller governmental unit (think small town), consolidation can increase administrative costs as more hierarchical structures lead to 'bureaucratic congestion'.[65] Having a dozen smaller bureaucracies is not necessarily less efficient than a single, larger bureaucracy when it comes to dealing with a specific, local issue. Coordination among administrators may break down as the system becomes too complex.

Third, providing services across larger geographic areas is not necessarily more efficient. One simple reason is that costs increase when servicing outer, more remote regions.[66] A snow plow covering a region with a radius of 10 miles uses less fuel than a snow plow covering a region with a radius of 20 miles. Additionally, a single larger jurisdiction may be efficient for some services but not for others. There are different optimal sizes for public goods provision.[67] A school district may be more efficiently provided at a highly local level while a public utility company may operate more efficiently at a regional level. Providing all services at the same geographic level eliminates the possibility of providing all services efficiently.

In terms of competition, there also are three reasons for why larger, consolidated governments are theorized to be less cost-effective. First, "voting with your feet" is costlier in larger, consolidated governments.[68] At the local level, if citizens are dissatisfied with government in their municipality, they could vote with their feet by moving to another municipality. The threat of citizen migration incentivizes local governments to operate efficiently. However, at larger geographic levels, voting with your feet is costlier: Moving to another state likely means leaving behind family, friends, and employment, unlike with moving to an adjacent municipality.

Second, even if citizens do not move away from jurisdictions with bad governance, competitive pressures still exist through voice[69] and "yardstick" competition.[70] Citizens can voice their frustrations in town hall meetings at the local level and propose alternative policies. Through yardstick competition, citizens can compare their local government to nearby local governments. With a special district, such as a school district, a citizen can easily evaluate how their school district compares to a nearby school district. If their school district is underperforming, they could vote against incumbent school board members in the next election. With fragmentation comes easier and more comparisons, which allows citizens to better understand the relative performance of their governments and reward or punish politicians accordingly.[71]

Third, competition keeps local government budgets in check. Theory suggests that bureaucrats are budget-maximizers[72] and governments are revenue-maximizers.[73] Without competition through fragmentation, local governments have incentives to continue to grow their budgets through tax increases without increasing service quality. Just as monopolies in the marketplace lead to higher prices and lower quality, government monopoly leads to higher taxes and worse service provision.[74] Competition makes governments directly accountable for relative increases in taxes or reduced service quality.

In terms of providing citizens what they want out of their local government, there are three reasons for why larger, consolidated governments are theorized to be less efficient. First, the Tiebout model of competition (voting with your feet) is framed as a way of solving the preference revelation problem of public goods. In the marketplace, people "reveal their preferences" for a good based upon whether they are willing to purchase the good or not. With government, however, it is difficult to determine how much people really value the services they are receiving since they are typically financed through taxes rather than user fees. But in the Tiebout model, moving or not moving is a market-like test that reveals people's preferences for public goods. With more local governments there is more variety with public goods, thus enabling citizens to reveal and enjoy the public goods they desire by moving between municipalities.

Second, citizens are likely to be better informed and heard at the local level.[75] Citizens find it easier to learn about issues happening in their town than state or nation-wide problems. And once informed, it is generally easier to communicate with local politicians than it is with state or federal elected officials. Better informed, more vocal citizens are more likely to hold local governments accountable.

Third, with fragmented services, citizens are able to precisely express their preferences for a particular service.[76] For example, if citizens pay a fee specifically for waste removal, they can clearly determine whether the fee is worth the service provided. Citizens get the services they want and do not get the services that they do not want. There is no 'full line forcing' where citizens pay one fee for a bundle of services, regardless of whether they value each service.[77] With larger, consolidated governments, citizens have a harder time evaluating the value of each service and may be forced into paying for a service that they do not value. This is inefficient because citizens do not get what they want.

Although the cost and competition arguments for fragmentation are not features of the St. Louis consolidation debate, citizens getting what they want out of local government is a key aspect of the debate. Jones[78] argues that St. Louis residents value having cosmopolitan amenities nearby but with the small-town feel that comes from small municipal governments. As the Tiebout model suggests, migration into these smaller municipalities has revealed a preference for small municipal governments.

Another example pertaining to citizen preferences comes from the failed consolidation attempt of five fire departments in the center of St. Louis County.[79] One of the municipalities, Rock Hill, dropped out of the consolidation because their spending for fire protection would have increased from $75,000 to $100,000. Consistent with Boyne,[80] consolidating specific services rather than having one large consolidation enables citizens to better determine the value of the services they are receiving. Those in Rock Hill could easily weigh the costs and benefits and decide to forgo consolidation. However, with a single, county-wide consolidation of all services, it would be difficult to evaluate the value of each service. This tends to drive up the costs of municipal services.

Although within the consolidation debate in St. Louis arguments have emerged supporting fragmented government because of efficiency, Better Together raises concerns about local political participation. Ostrom, Tiebout, and Warren[81] theorize that at the local level citizens are better informed and better able to voice concerns. Citizens keep elected officials accountable and can meet with local officials to have their voice heard. Better Together finds that many of the small municipal governments in St. Louis County have part-time staff with limited office hours. This makes it difficult to meet with local representatives. Additionally, Better Together argues that with so many municipalities, the media does not hold elected officials accountable. With the media's focus on larger jurisdictions, it is actually more difficult for citizens to be informed about their local government.

3.2 Equity

The theoretical arguments against consolidation based on equity grounds rest upon two ideas. First, consolidated governments may not act in the best interest of poor or minority residents. In smaller jurisdictions with a majority of poor and racial minorities, residents can vote to get the services they demand most.[82] Mixed into a larger jurisdiction dominated by wealthy residents, poor residents may see their tax dollars being used to finance public projects that are lower priorities for the community, such as a renovated opera house or light rail to a major shopping area. Since poor residents typically have less political power, they are likely to see their tax dollars benefitting wealthier, more politically powerful residents.[83] This problem can be avoided by not consolidating.

Another concern with consolidation negatively impacting poor or minority residents is the loss of minority public officials. Citizens care about racially representative public officials,[84] and this is easier to achieve in smaller jurisdictions where minority populations have voting power. Within larger jurisdictions public officials are less likely to be racially representative as minority voting strength is diminished.[85]

The second equity argument against consolidation is that consolidation is not the only way to address equity concerns. There are more efficient ways, one being state and federal redistribution programs.[86] Local governments typically have not been involved with redistribution as areas with mobile tax bases limit redistribution attempts.[87] Local governments, even when aggregated up to the county-level are generally less efficient at operating redistribution programs than larger governments. There is an optimal level of government for each service, and redistribution services tend to operate best at higher level of governments.

Another way to address equity without consolidation is through the use of special districts. Special districts covering multiple jurisdictions can provide both rich and poor residents with the same service quality.[88] Equity concerns are valid, but the theory suggests that consolidation can worsen inequality and that inequality can be solved more effectively through means besides consolidation.

Concerns about a loss of equity from consolidation has been part of the discussion in St. Louis. The primary organization pushing for consolidation, Better Together, is well aware of how equity concerns could prevent consolidation from gaining approval. In September 2017, a board member of Better Together, Dr. Will Ross, wrote an editorial in a local newspaper addressing racial concerns.[89] Ross argues that many of the issues that those in the black community are concerned about are regional in nature. Thus, consolidation can actually improve the well-being of those in the black community. He also warns, however, that consolidation does not guarantee equity in political representation, and that those in the black community should actively participate in shaping the consolidation process.

Whether those in the black community decide to participate in and influence the consolidation process is uncertain as black mayors in the northern municipalities are concerned about being pushed out of existence.[90] Consistent with Zimmerman,[91] black mayors are concerned with the dilution of minority voting strength following consolidation.

Another relevant equity consideration in St. Louis is the feasibility of consolidation. Suburbs may view the consolidation as an unfair way for St. Louis City to share its debts and gain access to a larger tax base.[92] Wealthy suburban residents and elected officials are unlikely to agree to consolidation terms that make them worse off. Consistent with Parks and Oakerson,[93] wealthy and politically connected residents are likely to try to shape consolidation in their favor. The result for the St. Louis region would be even greater inequality.

3.3. Spillovers

Although theoretical arguments exist for how consolidation can solve spillover problems, there are ways for smaller local governments to overcome spillovers. First, in the case of a local government providing a public good with a positive spillover, grants from higher levels of government could compensate the local government.[94] Bish and Warren[95] explain how this type of grant system could work with education. Education creates a positive externality as school districts cannot internalize all the benefits they produce. Students that receive an education may become productive workers in other jurisdictions.

The second way for local governments to deal with spillovers is through the creation of special districts. There are different types of public goods with different optimal sizes of operation.[96] Different public goods come with different spillovers. Consolidation into a single government does not, therefore, solve the spillover problem for each public good. A better solution is to retain local autonomy but use special districts of different sizes for public goods with different spillovers. With public goods where there are large spillovers, then the optimal size of the special district would be large. But with public goods where there are small spillovers, then the optimal size of the special district would be small.

The use of special districts is a small part of the third way in which local governments can overcome spillover problems. Local governments can cooperate not only with special districts but also in a wide variety of creative ways. The Coase Theorem[97] suggests that private individuals can solve externality problems through negotiation. Similarly, Feiock[98] argues that local governments can overcome spillovers by collaboratively solving spillover problems with formal and informal agreements. Such agreements tend to be more politically possible and are better suited to deal with the dynamic nature of spillover problems.[99] New agreements can be worked out as new spillovers emerge. And should the spillovers diminish or other issues arise, these agreements can be amended or dissolved less painfully because there still exists and underlying political body.

Examples of each of the three theoretical reasons for the effectiveness of local governments in dealing with spillovers have surfaced in the St. Louis debate. Consistent with Ostrom,[100] financing from larger governments has been used in the St. Louis area before. With the building of a new sports stadium, 50% of the financing came from the state government.[101] Since the benefits of a major sports team may extend beyond city and county boundaries, the state government was willing to contribute to the project. The spillover problem was potentially solved through financing from a larger government, although it remains an open question whether the benefits to the rest of the state were commensurate with costs.

Consistent with Ostrom, Tiebout, and Warren, [102] and Bish and Warren,[103] special districts of varying sizes exist in the St. Louis area. The St. Louis area has one regional arts commission but two districts for parks.[104] Parks and the arts generate different benefits and different sized special districts can most appropriately internalize the unique spillovers of each public good. A full-scale consolidation would eliminate the ability of different sized special districts to deal with different sized spillover problems.

Consistent with Andrew[105] and Feiock[106] the ability of local governments to cooperate has been part of the consolidation debate in St. Louis. In a recent newspaper article, Rebe[107] argues that rather than fighting over a contentious consolidation, St. Louis would be better off collaborating on specific region-wide problems. In the article, Rebe highlights how the region's municipalities cooperated to form the Metropolitan St. Louis Sewer District in 1954. The charter for the district highlights the importance of cooperation to overcome spillovers: "the problem has been shown to be one which cannot be solved within either City or County alone, but requires that it be treated as a whole. The City limits are but an imaginary line as far as disease and drainage are concerned." Disease and drainage are both examples of negative spillovers. However, rather than consolidation, the problem was solved through local government cooperation.

3.4 Development

A large theoretical literature identifies the benefits of fragmented governments in terms of efficiency, equity, and spillovers. No body of theoretical research identifies the benefits of fragmentation for development, however. All that exists is the idea that through competition local governance will improve and through better governance comes more development. Kim and Jurey[108] summarize the connection between fragmentation and development. First, fragmentation promotes local government competition. Second, competition incentivizes each jurisdiction to provide an attractive combination of quality services and low taxes. Third, with an attractive combination of quality services and low taxes, new businesses and residents will be draw to the region. The result is more jobs and higher income.

The above argument for development through fragmentation has not been present in the St. Louis consolidation debate. Those in favor of consolidation have done so in part for development reasons. However, those opposed to consolidation have not focused on development in their arguments.

4. EMPIRICAL EVIDENCE

Theoretical arguments exist in favor of and in opposition to consolidation for efficiency, equity, spillover, and development reasons. With the exception of development, the consolidation debate in St. Louis contains arguments both for and in opposition to consolidation that relate to the theoretical literature reviewed. However, what real-world evidence exists for understanding how consolidation impacts efficiency, equity, spillover, and development concerns? This section explores the empirical evidence because before drawing any lessons for St. Louis, it is important to first understand what has happened following other consolidations.

4.1 Efficiency

Both in the St. Louis debate and theoretical literature, proponents of consolidation have argued that it leads to greater efficiency. The real world evidence suggests that greater efficiency can be difficult to achieve, however. Because streamlining local government means either cutting government jobs or reducing wages, bureaucrats are unlikely to favor a consolidation that does either one. Thus, it unsurprising that in the real-world consolidation generally does not lead to a more streamlined, efficient bureaucracy. For example, wages after consolidation tend to be harmonized upwards to the highest pre-consolidation pay scales.[109] In their study of 21 consolidated municipalities in Canada, Miljan and Spicer [110] found that government workers that had been earning roughly minimum wage working in relatively low cost-of-living areas saw their wages rise to those of workers living in more urban, higher cost-of-living areas. Wage harmonization upward does not lead to a less expensive bureaucracy, but a more expensive government.

Consolidations also tend to increase public employee wages. If some employees associated with administrative duplication are let go, consolidation could still be efficiency-enhancing. Even so, just like no public employee wants to see their wages reduced, no public employee wants to lose their job. Unsurprisingly, consolidation does not eliminate administrative duplication. Either formally or informally, jobs for public employees are maintained. The charters for both the Athens and Clark County, Georgia and Wyandotte County and Kansas City, Kansas consolidations, for instance, included provisions guaranteeing that no public employee jobs would be lost.[111] While this could be a short-term effect if departing or retiring employees are not replaced, in practice once consolidation occurs the impetus for a reduction in force is reduced and overall staffing levels tend to stay high. In a more informal manner, during the consolidation of Kawartha Lakes, Ontario, new positions were simply created for existing government employees to fill.[112] Although not formally codified in the charter, jobs were created so that no existing employee would become unemployed.

Another piece of evidence in favor of the efficiency of fragmentation over consolidation comes from studying the bureaucratic complexity of consolidation governments. Reese[113] finds that with the consolidation of twelve municipalities in Ottawa, workers in the now larger departments were burdened by "increased red tape for both internal and external users of city services, slower purchasing processes, a backlog in dealing with permits, and a much longer hiring process" (p. 600). 'Bureaucratic congestion' not only slows government down, but it also can require costly new technology and retraining. Vojnovic[114] studies how five municipalities in Canada adjusted to the new, larger bureaucratic structure of their consolidated government. He finds that four out of the five municipalities had to invest in substantial employee retraining and new computers to deal with more complex accounting and payroll systems.

Although much of the real-world evidence provides a cautionary tale against relying upon consolidation to achieve efficiency, there are examples of cost saving through consolidation. Krimmel[115] finds that consolidated police departments in York and Lancaster Counties in Pennsylvania have 28% lower costs compared to their nonconsolidated counterparts.

Additionally, McDavid[116] finds that police departments in Halifax, Canada were able to reduce costs through consolidation, without negatively affecting the crime rate. Consolidation can produce efficiency gains for services such as police. Consolidations for services such as police do not require a single, unified government, however. Consolidation can be handled on a service-by-service basis.

4.2 Equity

The real-world evidence suggests that a few of the equity concerns of consolidation have occurred in other cases. First, consolidation has diluted the voting strength of minority populations. Clarke[117] finds that black voting strength in the center of the city was diluted following the consolidation of Louisville and Jefferson County, Kentucky. Similarly, Swanson[118] finds that after the consolidation of Jacksonville and Duval County, Florida, black voting power was diluted from 40% to 25%.

Second, consolidation sometimes has led to greater inequity in service provision by income level as the terms of consolidation are shaped by wealthy, politically powerful elites. Blomquist and Parks[119] demonstrate how the Indianapolis city-county consolidation produced greater inequality. The consolidation was meant to correct for inequality by using suburban property taxes to help pay for city services enjoyed by suburban residents. However, wealthy suburban residents were politically connected while poor inner city residents were not. Unsurprisingly, the terms of the consolidation benefitted suburbanites. Suburban property taxes were used only to pay for county-wide services while city property taxes were used to pay for both city and county-wide services.

Vojnovic[120] provides another example of a tax increase for poor residents following consolidation. He studies the consolidation of five relatively wealthy urban districts and six relatively poor rural districts in Canada. Before consolidation, the rural areas had lower service levels but also enjoyed lower taxes. However, after consolidation tax rates were harmonized so that some rural areas saw tax increases of up to 80%, despite no clear increase in service provision.

4.3 Spillovers

There are numerous examples of institutional arrangements across the United States that effectively solve spillover problems. These institutional arrangements operate across a spectrum of formality. On the more formal end are fully consolidated regional governments. On the less formal end are interlocal agreements (ILAs). ILAs allow for local government autonomy while collaborating with other governments to take advantage of economies of scale with the provision of services. Although there are many examples, commonly used ILAs include 911 dispatch centers, libraries, and pest control.[121] One city that makes extensive use of ILAs is Detroit. Leroux and Carr[122] show how 44 local governments in the Detroit metropolitan area use interpersonal networks and local professional associations to collaborate on projects such as infrastructure improvements, waste disposal, and watershed management.

Healthy civic institutions in Detroit help build connections between local representatives. The result is cooperation among governments rather than competition. Another way healthy civic institutions can help solve spillovers is with non-profit organizations. Nunn and Rosentraub[123] describe the operation of the Alleghany Conference for Community Development (ACCD) in Pittsburgh, Pennsylvania. Through public-private partnerships, the non-profit organization helps with a variety of regional issues includes air pollution and flood control.

An example of a more formal, although not fully consolidated institutional arrangement is the council of governments. Local governments maintain autonomy but representatives meet regularly at the council of governments to discuss regional issues. Toledo provides an example: Since 1968 the Toledo Metropolitan Area Council of Governments (TMACOG) has sought to: "(1) provide a forum for regional governance, (2) facilitate networking for local officials, (3) provide shared information, (4) coordinate issue resolution, (5) plan for regional transportation needs, and (6) plan for regional environmental resources and water quality." [124]

4.4 Development

Consolidation is theorized to accelerate development by providing comprehensive planning capacity, a simplification of regulations, and a greater capacity for regional development projects. Does consolidation actually improve local development in the real-world? The empirical evidence suggests that consolidation rarely leads to significant economic development. Sometimes it actually reduces the rate of development, but usually it has no impact in either direction.

Empirical studies finding no impact of city-county consolidation on development include Feiock and Carr,[125] Carr and Feiock,[126] Carr et al.,[127] and Faulk and Schansberg.[128] Examining the number of manufacturing, retail, and service establishments both before and after the Jacksonville-Duval County consolidation in Florida, Feiock and Carr[129] find no impact of consolidation on growth in any sector. Expanding the number of city-county consolidations explored to nine, Carr and Feiock [130] find no evidence for faster growth in any sector for any of the nine cases. Carr et al.[131] expand the analysis to include the impact of consolidation on employment and payroll. They find no effect with the Louisville-Jefferson County and the Lexington-Fayette County consolidations in Kentucky. More recently, Faulk and Schansberg[132] find that consolidation with the Augusta-Richmond County, Kansas City-Wyandote County, and Lafayette City-Lafayette Parish did not lead to a significant increase in employment or the number of businesses.

While the majority of city-county consolidations explored had no impact on economic development, Hall, Matti, and Zhou[133] do find a positive impact of the Lafayette City-Lafayette Parish consolidation on per capita personal income, total employment, and population. But they also find negative impacts on per capita personal income, total employment, and population stemming from the Augusta-Richmond County and Athens-Clarke County consolidations in Georgia. Different development impacts across different consolidation attempts suggest that the details of how consolidation is implemented are important. Consolidations that are widely opposed tend not to be successful, as the political bargaining necessary to get people to change their minds often undermines the very reason the reform was implemented. An example would be guarantees that no public sector employees will lose their jobs as a result of the consolidation, although the *raison d'etre* for the consolidation was to achieve cost savings through eliminating duplicate positions.

5. LESSONS FOR ST. LOUIS FROM THE ACADEMIC LITERATURE

The situation that St. Louis residents find themselves in is not unique. A number of areas in the United States have seen local government fragmentation as a key source of municipal dysfunction. The typical governmental form that is advocated is city-county consolidation that creates one unified county-level government, but other forms of consolidation have also been suggested and implemented depending on the region. Much of the literature focuses on city-county consolidation, however, because all of the United States is covered by county (or county-equivalent) governments. They are naturally small, due to the fact that in many cases their creation was predicated on reducing the burden on citizens needing to travel to the county seat. As such, they seem to be the natural stopping point when the discussion of eliminating or combining local governments begins. It is therefore natural that discussions in St Louis have focused on city-county consolidation.

There exist many good arguments and evidence that the fragmentation of local government in St. Louis has and will continue to produce sub-optimal outcomes. The use of court fees to finance local government, for example, goes against numerous principles of effective local governance. The same is true with the widespread use of sales taxes rather than property taxes to fund local governments. When combined with excessive fragmentation, the result is too much attention paid to tax exporting and not enough to providing the tax and spending mix preferred by the average resident. Areas that are a good value (i.e., services received relative to taxes paid) see that increased value capitalized into housing prices, which then lead to the property taxes received (not the rate) increasing, a virtuous cycle. When local governments are incentivized to find tax-exporting industries, too much attention is paid to courting big projects that attract consumers from across the city. Cities that successfully export a large share of their tax burden look good in the eyes of residents because they can enjoy high service levels at a low cost. This encourages even more areas to pursue tax-exporting strategies, something that may work for one area initially but does not work on a regional level. This negative cycle seems to exist in parts of St. Louis today. While it is good for the citizens of the area, it is bad for the region as a whole.

Just because problems exist, however, does not mean city-county consolidation is necessarily the only or best solution to the problems facing the residents of St. Louis County. From our own original research on city-county consolidation[134] and our review of the academic literature on regionalization and consolidation of municipal services[135] we highlight five important lessons regarding city-county consolidation that citizens and policymakers in St. Louis City and County should consider when attempting to move forward from the *status quo*.

Lesson One: City-county consolidations have not been a panacea to the underlying problem that motivated consolidation efforts.[136] While many of the studies analyzing specific consolidations focus on economic development, it is important to remember that governments that are able to satisfy demands for local publicly-provided goods at a lower tax cost should stimulate economic development as people and businesses are attracted to value creation. The fact that incomes, population growth, and employment opportunities frequently decline following city-county consolidation is strong evidence that fragmentation was not necessarily the biggest issue facing the area but rather part of a larger problem.

Lesson Two: Many of the problems facing those living and working in St. Louis County are not the result of fragmentation *per se*, but rather how fragmentation interacts with local government funding in Missouri. The fact that local governments in Missouri were prohibited from using the sales tax to raise revenue prior to 1969 makes it clear that this is a local problem created by state policy and therefore is going to require state action to fix. It is true that fragmentation has exacerbated the problem related to how local governments in Missouri are financed, but city-county consolidation will only mitigate issues related to how local governments in Missouri (specifically the St. Louis County) are financed, not eliminate them. To cite but one example, beggar-thy-neighbor policies will still exist, but there will just be less of it as consumers will have to come into (or leave) the County.

Some part of the solution is likely to require state policy action that changes how local governments obtain revenue. If Missouri policymakers returned to the pre-1969 prohibition on local governments utilizing the sales tax, for example, it would eliminate the disparities and inefficiencies of the current system. What would local governments replace it with? One option would be that the state could allow for county sales taxes to be distributed to local governments on a per capita basis. Alternatively, the county sales tax could be combined with a consolidation of some services to the county level, reducing the service burden on local governments concomitant with their lower tax revenue, but achieving economies of scale and efficiencies in areas like transit and fire protection. In Ohio, for example, regional transit authorities are funded through county-level sales taxes, reflecting the fact that optimal service area for public transit is much larger than the typical city government. Funding local governments through a regional tax also could reduce the incentive to uses fees, fines, and tickets to pay for local government.

Lesson Three: City-county consolidations are deeply unpopular.[137] The hatred and mistrust associated with consolidation efforts significantly raises the costs of consolidation and reduces the likelihood that it will solve the underlying issues that motivated consolidation. As we detail elsewhere,[138] city-county consolidations in Georgia were extremely contentious. Athens-Clarke County Georgia, and Augusta-Richmond County Georgia had multiple failed consolidation attempts before finally getting a majority of voters to favor consolidation. In both cases, convincing enough voters to support the consolidation referendum required changes to the consolidation charter that led to the consolidation not achieving the goal of greater economic development. The biggest of these changes was upward public employee wage harmonization and guarantees that no public employee jobs would be lost.

The lack of public opposition to city-county consolidation makes it more likely that consolidation will achieve its goals and seems to be a prerequisite for successful city-county consolidation. On the other hand, the more organized opposition to consolidation is, the greater the likelihood that political compromises will be made that undermine any potential benefits of reform. In the face of widespread opposition to large-scale consolidation, piecemeal consolidation and/or regional agreements are preferable as they can be structured to be less divisive, such as in the consolidation of fire departments.

Lesson Four: Not all consolidations are created equal. Leland and Thurmeier[139] distinguish between crisis consolidations and opportunity consolidations. Areas that consolidate due to a crisis, primarily financial, frequently fail to improve (economically) following consolidation. In many cases it is better to stay with the *status quo* than to accept a deal in the midst of a crisis because "something is better than nothing". Our research suggests that no change is often better than consolidations that occur in response to a crisis.

More important to St. Louis, however, is that many consolidations merely involve merging a city center with an unincorporated, more rural, county area. While St. Louis County has unincorporated areas, it also has multiple, developed municipalities.[140] This creates a large number of veto players and vested interests that make large-scale consolidation from the bottom up very difficult to achieve. Capps[141] actually calls for a statewide ballot or the Missouri legislature to weigh in to avoid these political issues. The difficulty with bypassing local voters is that while there are fewer veto players, the solution is not likely to be one that will represent important trade-offs between local autonomy and fiscal responsibility.

Lesson Five: If the goal of consolidation is to eliminate disparities across areas of the city in funding or services, eliminating local governments can sometimes give the illusion of the disparities being eliminated when often things are much worse due to shifts in political power. Consider two equally sized school districts that spend $10,000 and $15,000 per pupil, respectively. If those two districts consolidate, then average spending is now $12,500, so it appears that the disparities have been eliminated. The real question, however, is how has spending in the section of the combined school district that used to spend $10,000 changed? In many cases, it does not improve or even gets worse. There are two reasons why this is the case. First, aggregation of data obscures the problem and reduces political pressure to do something about it. Second, poorer areas tend to have lower vote turnout and thus voters in the poorer part of the consolidated school district have less political power after consolidation.

6. CONCLUSION

No one can deny that there are numerous issues facing local governments and their citizens in St. Louis County. Fragmentation, combined with the taxation powers and funding allocated to local governments by the Missouri state legislature, has contributed to a number of issues related to communities engaging in activities with negative effects on citizens other than their own. The significant use of speed traps, or excessive fines, to raises a significant portion of municipal funds is but the most egregious example.

Our analysis of the past several decades of academic scholarship on regionalization of municipal taxes and services and city-county consolidation suggests that widespread consolidation is unpopular and fails to deliver on more efficient government. The fact that there is no silver bullet, however, does not mean that taking no action is optimal. One of the great strengths of the United States is our large number of local governments. The literature has highlighted some of the many ways that communities can collaborate to save money and achieve scale efficiencies without consolidating. In addition, our analysis of the [142]St. Louis case highlights how any significant reform is likely to involve the Missouri legislature as many of the local government funding issues are problems created by state policy and only exacerbated by political fragmentation in St. Louis County.

Joshua Hall is a professor of economics at West Virginia University. Josh Matti is a PhD candidate in economics at West Virginia University.

This study was made possible with funding from the Hammond Institute's Center for Economics and the Environment.

NOTES

[1]Better Together. (2016). The Will To Change. Retrieved from http://www.bettertogetherstl.com/studies/will-to-change

[2] Chester C. Maxey, "The Political Integration of Metropolitan Communities," *National Municipal Review* 11, no 8 (1922): 229-254.

[3] Shayndi Raice, "Campaign Asks if St. Louis Area Really Needs 91 Local Governments," *Wall Street Journal*, November 2, 2017.

[4] US Census Bureau. *Census of Governments.* (Washington, DC: Government Printing Office, 2012). I. Vojnovic, "The Transitional Impacts of Municipal Consolidations," *Journal of Urban Affairs* 22, no. 4 (2000): 385-417.

[5] George A. Boyne, "Local Government Structure and Performance: Lessons from America?" *Public Administration* 70, no. 3 (1992): 333-357.

[6] Elinor Ostrom, (1972). "Metropolitan Reform: Propositions Derived from Two Traditions," *Social Science Quarterly* 53, no. 3 (1972): 474-493.

[7] Robert F Adams, (1965). "On the Variation in the Consumption of Public Services," *Review of Economics and Statistics* 47, no. 4(1965): 400-405.

[8] Shawna Grosskopf and Suthathip Yaisawarng, "Economies of Scope in the Provision of Local Public Services," *National Tax Journal* 43, no. 1(1990): 61-74.

[9] U.S. Census, op.cit.

[10] Christopher Berry, "Piling On: Multilevel Government and the Fiscal Common Pool," *American Journal of Political Science* 52, no. 4 (2008): 802-820.

[11] Terry M. Moe, "Political Control and the Power of the Agent," *Journal of Law, Economics, and Organization* 22, no. 1 (2006): 1-29.

[12] Randall W. Eberts and Timothy J. Gronberg, "Can Competition Among Local Governments Constrain Government Spending? *Economic Review* 24, no. 1 (1988): 2-9. Berry, op cit.

[13] Boyne, op. cit.

[14] PFM Group, *City of St. Louis and St. Louis County Intergovernmental Collaboration Study*. Technical Report. (2011)

[15] Better Together, op. cit.

[16] Boyne, op. cit.

[17] Adams, op. cit.

[18] Ostrom, op. cit.

[19] PFM Group, op. cit.

[20] Adams, op. cit.

[21] Better Together, op. cit.

[22] PFM Group, op. cit.

[23] Better Together, op. cit.

[24] Alan Greenblatt, "Consolidation Makes Sense, Yet Few Cities Have the Urge to Merge," (2017) Retrieved from http://www.governing.com/topics/mgmt/gov-consolidation-local-governments.html

[25] Better Together, op. cit.

[26] Richard C. Hill, "Separate and Unequal: Governmental Inequality in the Metropolis," *American Political Science Review* 68, no. 4 (1974): 1557-1568.

[27] David Lowery, "A Transactions Costs Model of Metropolitan Governance: Allocation versus Redistribution in Urban America," *Journal of Public Administration Research and Theory* 10, no. 1 (2000): 49-78.

[28] Charles M. Tiebout, "A Pure Theory of Local Expenditures," *Journal of Political Economy* 64, no. 5 (1956): 416-424.

[29] Oliver P. Williams, "Life Style Values and Political Decentralization in Metropolitan Areas," *Southwestern Social Science Quarterly* 48, no. 3 (1967): 299-310.

[30] Lowery, op. cit.

[31] Joshua C. Hall, "Fiscal Competition and Tax Instrument Choice: The Role of Income Inequality," *Economics Bulletin* 8, no. 12 (2006): 1-8. Joshua Hall and Justin M. Ross, "Tiebout Competition, Yardstick Competition, and Tax Instrument Choice: Evidence from Ohio School Districts," *Public Finance Review* 38, no. 6 (2010): 710-737.

[32] Benedict S. Jimenez, "Separate, Unequal, and Ignored? Interjurisdictional Competition and the Budgetary Choices of Poor and Affluent Municipalities," *Public Administration Review* 74, no. 2 (2014): 246-257.

[33] Michael Howell-Moroney, "The Tiebout Hypothesis 50 Years Later: Lessons and Lingering Challenges for Metropolitan Governance in the 21st Century," *Public Administration Review* 68, no. 1 (2008): 97-109.

[34] Hill, op. cit.

[35] Richard Bose, "Summary of 'City-County Reorganization Attempts According to Fragmented by Design' by E. Terrence Jones." (2016) Retrieved from https://nextstl.com/2014/02/summary-attempts-city-county-reorganization-according-fragmented-design-e-terrence-jones/
[36] Lowery, op. cit.
[37] Bose, op. cit., E. Terrance Jones, "Toward Regionalism: The St. Louis Approach," *St. Louis U. Pub. L. Rev.* (2104): 103-126.
[38] Better Together, op. cit.
[39] Albert Solé-Ollé, "Expenditure Spillovers and Fiscal Interactions: Empirical Evidence from Local Governments in Spain," *Journal of Urban Economics* 59, no. 1 (2006): 32-53.
[40] Alan Williams, "The Optimal Provision of Public Goods in a System of Local Government," *Journal of Political Economy* 74, no. 1 (1966): 18-33.
[41] Richard D. Gustely, "The Allocational and Distributional Impacts of Governmental Consolidation: The Dade County Experience," *Urban Affairs Review* 12, no. 3 (1977): 349-364.
[42] Adams, op. cit.
[43] Op.cit.
[44] Better Together, op. cit. page 5
[45] Op. cit. (1966)
[46] Better Together, op. cit.
[47] Op. cit.
[48] Williams, op. cit.
[49] Adams, op. cit.
[50] Arnold Fleischmann and Gary P. Green, "Organizing Local Agencies to Promote Economic Development," *The American Review of Public Administration* 21, no. 1 (1991): 1-15.
[51] Richard C. Feiock and Jered B. Carr, "A Reassessment of City/County Consolidation: Economic Development Impacts," *State and Local Government Review* 29, no. 3 (1997): 166-171.
[52] Feiock and Carr, ibid.
[53] Richard C. Feiock, Melvin Dubnick, and Jerry Mitchell, "State Economic Development Policies and National Economic Growth," *Public Administration Quarterly* (1993): 55-67.
[54] Op. cit.
[55] Colin Gordon, "Patchwork Metropolis: Fragmented Governance and Urban Decline in Greater St. Louis," *St. Louis U. Pub. L. Rev.*, (2014): 51-71.
[56] Gordon, ibid., Better Together, op. cit.
[57] Jo Mannies, "New Talk of City-County Merger Appears to Energize Both Sides," (2017). Retrieved from http://news.stlpublicradio.org/post/new-talk-city-county-merger-appears-energize-both-sides#stream/0
[58] Feiock and Carr, op. cit., Jered B. Carr and Richard C. Feiock, "Metropolitan Government and Economic Development," *Urban Affairs Review* 34, no. 3 (1999): 476-488.
[59] Op. cit.
[60] Feiock et al., op. cit., Feiock and Carr, op. cit.
[61] Brian Kelly, "Blues President Calls For St. Louis Government Consolidation," (2107). Retrieved from https://stlouis.cbslocal.com/2017/12/11/blues-president-calls-for-government-consolidation/
[62] Op. cit.
[63] Lawerence L. Martin and Jeannie H. Schiff, "City–County Consolidations: Promise versus Performance," *State & Local Government Review* 43, no. 1 (2011): 167-177.
[64] Boyne, op. cit.
[65] Vincent Ostrom, Charles M. Tiebout and Robert Warren, (1961). "The Organization of Government in Metropolitan Areas: A Theoretical Inquiry," *American Political Science Review* 55, no. 04 (1961): 831-842. Boyne, op. cit.
[66] Boyne, ibid.
[67] Ostrom, Tiebout and Warren, ibid., Robert Bish and Robert Warren, (1972). "Scale and Monopoly Problems in Urban Government Services," *Urban Affairs Review* 8, no. 1 (1972): 97-122.
[68] Jeffrey S. Zax, "Is There a Leviathan in Your Neighborhood?" *American Economic Review* 79, no. 3 (1989): 560-567.
[69] Albert O. Hirschman, *Exit, Voice, and Loyalty.* (Cambridge, MA: Harvard University Press., 1970)
[70] Timothy J. Besley and Anne C. Case, "Incumbent Behavior: Vote Seeking, Tax Setting and Yardstick Competition," *American Economic Review* 85, no. 1 (1995): 25-45.
[71] Pierre Salmon, "Decentralisation as an Incentive Scheme," *Oxford Review of Economic Policy* 3, no. 2 (1987): 24-43.
[72] William A. Niskanen, "Bureaucrats and Politicians," *Journal of Law and Economics* 18, no. 3 (1975): 617-643.
[73] Geoffrey Brennan and James M. Buchanan, *The Power to Tax: Analytic Foundations of a Fiscal Constitution.* (Cambridge, MA: Cambridge University Press, 1980).
[74] Bish and Warren, op. cit.
[75] Ostrom, Tiebout, and Warren, op. cit.
[76] Bish and Warren, op. cit.
[77] Boyne, op. cit.; George A. Boyne, "Public Choice Theory and Local Government Structure: An Evaluation of Reorganisation in Scotland and Wales," *Local Government Studies* 23, no. 3 (1997): 56-72.
[78] Op. cit.
[79] Tony Messenger, "Ellisville Mayor Who Rode Regionalism to Power Turns Against It," (2017). Retrieved from https://www.stltoday.com/news/local/columns/tony-messenger/messenger-ellisville-mayor-who-rode-regionalism-

to-power-turns-against/article_4e2cc9ac-5615-5a14-8257-ce3f3b706e82.html
[80] Op. cit.
[81] Op. cit.
[82] Elinor Ostrom, "The Social Stratification-Government Inequality Thesis Explored," *Urban Affairs Review* 19, no. 1 (1983): 91-112.
[83] Roger B. Parks and Ronald J. Oakerson, "Regionalism, Localism, and Metropolitan Governance: Suggestions from the Research Program on Local Public Economies," *State & Local Government Review* 32, no. 3 (2000): 169-179.
[84] Mancur Olson, "The Principle of 'Fiscal Equivalence': The Division of Responsibilities Among Different Levels of Government," *American Economic Review* 59, no. 2 (1969): 479-487. Melissa J. Marschall and Anirudh V. Ruhil, "Substantive Symbols: The Attitudinal Dimension of Black Political Incorporation in Local Government," *American Journal of Political Science* 51, no. 1 (2007): 17-33.
[85] Joseph F. Zimmerman, "Metropolitan Reform in the US: An Overview," *Public Administration Review* 30, no. 5 (1970): 531-543.
[86] Elinor Ostrom, op. cit.
[87] Michael Craw, "Caught at the Bottom? Redistribution and Local Government in an Era of Devolution," *State and Local Government Review* 47, no 1 (2015): 68-77.
[88] Parks and Oakerson, op. cit.
[89] Will Ross, "Regional Governance Benefits the African American Community," (2107). Retrieved June 25, 2018, from http://www.stlamerican.com/news/columnists/guest_columnists/regional-governance-benefits-the-african-american-community/article_0eb33bd2-a3fd-11e7-ab0d-eb1b83114e66.html
[90] Jason Rosenbaum, (2015)." African-American Mayors Are Wary Of Push For Municipal Consolidation In St. Louis County." (2015) Retrieved June 25, 2018, from http://news.stlpublicradio.org/post/african-american-mayors-are-wary-push-municipal-consolidation-st-louis-county#stream/0
[91] Zimmerman, op. cit.
[92] Kevin McDermott, "Krewson, Stenger Back Latest Push for City-County Coordination," *St. Louis Post Dispatch*, June 12, 2017. Retrieved from https://www.stltoday.com/news/local/govt-and-politics/krewson-stenger-back-latest-push-for-city-county-coordination/article_22ddc131-a438-54f6-845e-2d7c07688df5.html
[93] Op. cit.
[94] Ostrom, op. cit.
[95] Op. cit.
[96] Ostrom, Tiebout, and Warren, op. cit., Bish and Warren, op. cit.
[97] Ronald Coase, "The Problem of Social Cost," *Journal of Law and Economics* 3, no. 1 (1960): 1-44.
[98] Richard C. Feiock, "Metropolitan Governance and Institutional Collective Action," *Urban Affairs Review* 44, no. 3 (2009): 356-377.
[99] Simon A. Andrew, (2009). "Recent Developments in the Study of Interjurisdictional Agreements: An Overview and Assessment," *State & Local Government Review* 41, no. 2 (2009): 133-142.
[100] Op. cit.
[101] Jones, op. cit.
[102] Op. cit.
[103] Op. cit.
[104] Jones, op. cit.
[105] Op. cit.
[106] Op. cit.
[107] Jake Rebe, "Effective Consolidation," *NEXTSTL*, February 20, 2018. Retrieved from https://nextstl.com/2018/02/effective-consolidation/
[108] Jae Hong Kim and Nathan Jurey, "Local and Regional Governance Structures: Fiscal, Economic, Equity, and Environmental Outcomes," *Journal of Planning Literature* 28, no. 2 (2013): 111-123.
[109] Richard D. Gustely, "The Allocational and Distributional Impacts of Governmental Consolidation: The Dade County Experience," *Urban Affairs Review* 12, no. 3 (1977): 349-364. I. Vojnovic, (2000). "The Transitional Impacts of Municipal Consolidations," *Journal of Urban Affairs* 22, no. 4 (2000): 385-417. Laura A. Reese, (2004). "Same Governance, Different Day: Does Metropolitan Reorganization Make a Difference?" *Review of Policy Research* 21, no. 4 (2004): 595-611. Martin and Schiff, op. cit.,
[110] Lydia Miljan and Zachary Spicer, *Municipal amalgamation in Ontario*. (Vancouver: Fraser Institute, 2015).
[111] Suzanne Leland and Kurt Thurmaier, "When Efficiency is Unbelievable: Normative Lessons from 30 Years of City-County Consolidations," *Public Administration Review* 65, no. 4 (2005): 475-489.
[112] Miljand and Spicer, op.cit.
[113] Op. cit.
[114] Op. cit.
[115] John T. Krimmel, "The Northern York County Police Consolidation Experience: An Analysis of the Consolidation of Police Services in Eight Pennsylvania Rural Communities," *Policing: An International Journal of Police Strategies & Management* 20, no. 3 (1997): 497-507.
[116] James C. McDavid, "The Impacts of Amalgamation on Police Services in the Halifax Regional Municipality," *Canadian Public Administration* 45, no. 4 (2002): 538-565.

[117] Kristen Clarke, "Voting Rights & (and) City-County Consolidations," *Hous. L. Rev.,* 43, (2006): 621.
[118] Bert E. Swanson, "Quandaries of Pragmatic Reform: A Reassessment of the Jacksonville Experience," *State and Local Government Review* 32 (2000): 227–238.
[119] William Blomquist and Roger B. Parks, (1995). "Fiscal, Service, and Political Impacts of Indianapolis-Marion County's Unigov," *Publius: The Journal of Federalism* 25, no. 4 (1995): 37-54.
[120] Op. cit.
[121] Wayne P. Miller and Abby Davidson, *Interlocal Agreements*. (Little Rock, AR: Arkansas Public Policy Center, 2015)
[122] Kelly LeRoux and Jered B. Carr, "Prospects for Centralizing Services in an Urban County: Evidence from Eight Self-Organized Networks of Local Public Services," *Journal of Urban Affairs* 32, no. 4 (2010): 449-470.
[123] Samuel Nunn and Mark S. Rosentraub, "Dimensions of Interjurisdictional Cooperation," *Journal of the American Planning Association* 63, no. 2 (1997): 205-219.
[124] Nunn and Rosentraub, ibid, p. 214.
[125] Op. cit.
[126] Op. cit.
[127] Op. cit.
[128] Dagney Faulk and Eric Schansberg, "An Examination of Selected Economic Development Outcomes from Consolidation," *State and Local Government Review* 41, no. 3 (2009): 193-200.
[129] Op. cit.
[130] Op. cit.
[131] Op. cit.
[132] Op. cit.
[133] Joshua C. Hall, Josh Matti and Yang Zhou, "The Economic Impact of City-County Consolidations: A Synthetic Control Approach," WVU Working Paper No. 17-08 (2017).
[134] Hall, et al (2107), op. cit
[135] Hall, et al. (2018), op. cit.
[136] Hall, et al (2018), op. cit.
[137] Martin and Schiff, op. cit., Miljan and Spicer, op. cit., William Lyons and John M. Scheb, "Saying 'No' One More Time: The Rejection of Consolidated Government in Knox County, Tennessee," *State & Local Government Review* 30, no. 2 (1998): 92-105. Donald F. Norris, "Prospects for Regional Governance Under the New Regionalism: Economic Imperatives Versus Political Impediments," *Journal of Urban Affairs* 23, no. 5 (2001): 557-571.
[138] Hall, et al. 2017, op. cit.
[139] Op. cit.
[140] Mannies, op. cit.
[141] Kristin Capps, "For Anything to Change, Missouri Should Consolidate St. Louis," *The Atlantic Cities*, August 19, 2014.