

Getting the Facts Right: The Governance Debate in Pennsylvania

Wendell Cox, author of a recently released report commissioned by PSATS, shares his thoughts on some newspaper editorial board meetings he attended this summer around the state with PSATS Executive Board members and staff. The Brookings Institution report released by 10,000 Friends of Pennsylvania at the end of 2003, he says, got its facts wrong about the cause of Pennsylvania's economic woes and where local government fits in. Here he sets the record straight.

BY WENDELL COX / AUTHOR, *GROWTH, ECONOMIC DEVELOPMENT, AND LOCAL GOVERNMENT STRUCTURE IN PENNSYLVANIA*

In late August, I had the pleasure of traveling around the commonwealth with PSATS Executive Board members and staff to discuss issues raised by the Brookings Institution report on Pennsylvania competitiveness. I say "pleasure" because Pennsylvania is a beautiful state in which to travel, whatever the time of year, and because I enjoy engaging in public policy discussions.

Much of the current discussion is rooted in little more than feelings and impressions. The Brookings report started it all in finding that Pennsylvania's economy has been particularly uncompetitive. While no one would argue that Pennsylvania has performed worse than average among the 50 states, the picture painted by Brookings is far too bleak. Brookings went on to blame this exaggerated lack of competitiveness on urban sprawl and too many lo-

cal governments. These claims go far beyond exaggeration to outright error.

We visited newspaper editorial boards from Philadelphia to Pittsburgh and Erie and points in between to talk about this issue and my recent report for PSATS titled *Growth, Economic Development, and Local Government Structure in Pennsylvania*. We met with polite receptions, hard questions, and a willingness to listen and consider our position. Here's what we had to say:

- **Economic growth in Pennsylvania** — There is a general view that Pennsylvania's economic performance has trailed that of most states. However, compared to other states in the Frost Belt of the Northeast and Midwest, Pennsylvania has not done badly. Economic growth has bypassed the Frost Belt for decades in favor of the Sun Belt of the West and South. There are a number of reasons for this, none

of which are related to suburbanization or local government. Perhaps the most important factors are warmer weather, lower taxes, and lower business costs.

From 1980 to 2002, per capita incomes have risen more than average in Pennsylvania. Over the same period, the Philadelphia metropolitan area added jobs at a greater rate than all but nine of the 21 largest metropolitan areas in the Frost Belt. Only one of the better performing metropolitan areas has fewer local governments proportionally than Philadelphia.

Of course, there have been massive industry closures and job losses in places like Pittsburgh, Altoona, and Wilkes-Barre. Pittsburgh is a particularly good case to consider. The city's loss of its steel and related industries may be the most significant economic hardship that a major urban area has ever had to face in the high-income world. The causes of Pittsburgh's difficulties have been well-documented. Only the most remote and naïve ivory-tower analysis would include suburbanization or the number of local governments as a factor.

Our conclusion is that Pennsylvania is doing relatively well competitively, given its challenges and its location in the Frost Belt.

• **Suburbanization (called "urban sprawl" by opponents of the suburbs)** — Few public policy issues have generated as much discussion as urban sprawl. Even fewer have been so poorly understood. The anti-sprawl lobby would have us believe that American urban areas are compromising the nation's ability to produce food by consuming farmland.

The Brookings report would have us believe that this problem is even worse in Pennsylvania and that America's urban development patterns make people spend more time traveling to and from work while at the same time intensifying air pollution. All of these are perceptions and theories, and none of them stands up to scrutiny.

Critics would like us to believe that suburbanization has occurred principally because middle-income households have abandoned central cities. In fact, there are far more important causes of suburbanization, including a massive

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— **Wendell Cox**

Author, Growth, Economic Development, and Local Government Structure in Pennsylvania

migration from smaller towns and rural areas to the suburbs and the steadily declining average household size. While the nation's population less than doubled from 1950 to 2000, the number of urban (city and suburban) households tripled. This means that more land has been needed for urbanization.

However, it does not mean that the human footprint (*urban areas plus agriculture*) has increased. In fact, improving agricultural productivity has reduced farmland by an area equal to Texas plus Oklahoma, *after* accounting for the increase in urban development. In Pennsylvania, the human footprint has been reduced by an amount equal to the area of New Jersey since 1950.

Other arguments against the suburbs are at least as fragile. The lower-density urban areas of the United States have the shortest average work trip travel times and the least traffic congestion in the high-income world. Lower-density development *dilutes* air pollution, making it less intense in the neighborhoods where it is breathed.

In addition, there is the absurd belief that only American urban areas "sprawl," while Europeans travel mainly by mass

transit and live in the dense historical cores frequented by tourists and urban planners. In fact, a rental car tour of any western European (*or Japanese*) urban area will reveal a sea of automobile-oriented suburbs surrounding the historical core.

Nearly all urban growth in the United States, western Europe, Japan, and the rest of the high-income world has been suburbanization for decades. Anti-suburban interests would have us believe that we can abandon our cars for transit and walking. However, population densities are far too low for that everywhere except perhaps Hong Kong.

To restore transit-friendly densities to western European urban areas would require abandoning 80 percent of development. In the United States, the number is 90 percent. This would also presume resettlement of the suburban population into far denser cores. Of course, no serious anti-sprawl organization, much less any public official interested in re-election, would propose such a thing.

The broad and unprecedented income increases since World War II have been associated with an expansion

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of mobility that could not have occurred without the automobile. People can get to more of the urban areas faster than before, which makes labor markets more efficient and produces more wealth.

The incomprehensible Brookings conclusion that suburbanization impedes economic growth is countered by the reality that the high-income world's most sprawling large urban area, Atlanta, is also its fastest growing. Dallas-Fort Worth and Houston are not far behind.

Anti-suburban interests would like to impose top-down, ideologically oriented regional planning to limit development through strict means such as urban growth boundaries. Limiting development is no way to make Pennsylvania grow more. Indeed, more stringent land use regulations *reduce* economic growth. Raven Saks of Harvard University has reported that urban areas with strict land use regulations tend to have slower rates of job growth than would otherwise be expected.

In fact, nearly all of Pennsylvania's growth in recent years has been suburbanization from other states — from New York in the Northeast and from Washington-Baltimore in the south-central area. This growth could be easily sent elsewhere by breadline-style rationing of land for development.

• **Local government structure** — Many people, including some of those we met at the newspapers, believe that larger governments are more efficient than smaller ones. This proposition appears so obvious that there seems to be no reason to look at the facts. However, this is another classic example of theory trumping reality.

The Brookings report implies that

All in all, Pennsylvania would benefit from a serious, **respectful**, and good-faith discussion rooted in **fact**, rather than **fancy**.



LEFT TO RIGHT: PSATS Assistant Secretary-Treasurer Lester Houck, a supervisor for Salisbury Township in Lancaster County, joins Wendell Cox and PSATS Executive Director R. Keith Hite for a meeting with the Harrisburg *Patriot-News* editorial board to discuss Cox's report on local governance in Pennsylvania.

Pennsylvania has an inordinate number of local governments. This is not so. Pennsylvania is a large state. Its average population per local unit of government is slightly below average, ranking 28th out of 50.

If Pennsylvania's local government structure were so duplicative and inefficient, it would doubtless be reflected in inordinately large public payrolls. To the contrary, Pennsylvania has the least number of general government employees per capita of any state.

In Pennsylvania, the smallest jurisdictions are the most efficient. Commonwealth data shows that, even when federally and state-funded spending is deducted, jurisdictions with fewer than 5,000 residents spend the least per capita.

The state's second largest city, Pittsburgh, is almost bankrupt. Pittsburgh's problem is not funding, but spending, as our analysis of city and suburban expenditures makes clear. Not long ago, things were similar in Philadelphia. Ed Rendell was elected as that city's mayor to restore its financial health and succeeded by

making the hard choices. Pittsburgh could use a Mayor Rendell.

The Brookings report refers to "two Pennsylvanias," in which cities, boroughs, and townships of the first class are demonstrably worse off than townships of the second class. Brookings is right about there being two Pennsylvania's. The first is the cities of Philadelphia and Pittsburgh. The second Pennsylvania is the more than 2,500 other cities, boroughs, and townships of the first and second classes, which spend and borrow considerably less per capita than the two largest cities.

All in all, Pennsylvania would benefit from a serious, respectful, and good-faith discussion rooted in fact, rather than fancy. We are pleased that our editorial board tour of the state has resulted in a number of op-eds and newspaper articles to help begin this debate. ♦

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Note: For a copy of the Cox report, Growth, Economic Development, and Local Government Structure in Pennsylvania, call PSATS at (717) 763-0930 or log onto www.psats.org. The report appears on the home page of PSATS' Web site.

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RENEWING GROWTH IN PENNSYLVANIA

Pennsylvania's Smaller Local Governments Are Part of the Solution, Not the Problem

BY RICHARD M. HADLEY/SUPERVISOR, CRANBERRY TOWNSHIP, BUTLER COUNTY,
AND VICE CHAIRMAN, PSATS EXECUTIVE BOARD

Editor's Note: This column by Dick Hadley, vice chairman of the PSATS Executive Board, appeared on the front page of the Opinion and Commentary section of the Pittsburgh Tribune-Review September 18, along with columns by PSATS Executive Director R. Keith Hite and Wendell Cox, consultant and author of a recent report commissioned by PSATS titled Growth, Economic Development, and Local Government Structure in Pennsylvania.

The three op-eds addressed various issues tied to the effectiveness of Pennsylvania's local governments and their impact on the state's economy and residents' quality of life.

For Hite's op-ed piece, see page 50. For more on what Wendell Cox had to say about his findings, see page 44.

Pennsylvania's 2,566 municipalities are taking something of a beating these days, but it's not from their own residents. It's from the fallout of a study conducted by the Brookings Institution for the group 10,000 Friends of Pennsylvania. Titled "Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania," the report faults local government in ways that just don't square with the facts. As an elected supervisor of one such community, Cranberry Township, I'd like to set the record straight.

First, as the Brookings report accurately points out, Pennsylvania's economic growth has been tepid for a number of years now. Although there has been some development, it has been neither consistent nor impressive, particularly compared to many of the Sunbelt states. But while a variety of natural and man-made factors influence the state's economy, the Brookings report offers an odd mix of questionable assertions and peculiar lines of argument to reach its conclusion: that along with suburban sprawl, one of Pennsylvania's greatest impediments to growth is its

large number of small local governments. Their remedy: Consolidate municipalities into fewer but larger units of government. And to help implement the study's recommendation, the sponsoring organization launched a three-year campaign called RenewPA.

But bad policy flows from bad analysis, and regrettably, the report got its analysis of local government backwards. If anything, it is the thrift, accountability, and grassroots responsiveness of local government in Pennsylvania that has been the primary engine for whatever growth we have experienced — not the metropolitan and big-city governments that anchor the state's eastern and western ends. The study's resulting conclusions, at both the factual, analytical, and philosophical levels, are simply wrong. Here are the facts:

- Throughout our history, when Pennsylvania was one of the nation's most prosperous states, it had essentially the same number of political subdivisions as it does today. They can't be responsible for both Pennsylvania's prosperity and its decline.

- Bigger units of government, which are farther away and less in touch with the lives of the governed, are not better equipped to respond to the needs of residents; they are worse. And they are more susceptible to influence by special interests.

- Bigger units of government are less, not more, efficient. Their cost of operations, by virtually any measure, is

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— **Richard Hadley**

**Supervisor, Cranberry Township, Butler County,
and PSATS Executive Board Vice Chairman**



higher, not lower, than those of smaller subdivisions.

- Local government does not impede economic growth through abusive permitting and approval processes for new development. State law prescribes review times that municipalities are mandated to follow.

- Local governments use comprehensive planning and zoning to protect and build a vision for the future of their community. It is ludicrous to call what a community values as important an impediment to economic growth and development. It is even worse to claim that community planning would be better if conducted at a higher level of government.

- If too many units of local government were an impediment to development, there wouldn't be any sprawl. However, the report seems to argue that it both impedes development and fosters sprawl. Which is it?

- Enhancing private property values is a key priority for many local governments. One of the most powerful incentives for homebuyers and quality businesses is finding a community that will protect and help grow their investment.

- Drawing a line around Allegheny County to form one city/county, as is the case in Philadelphia, would create the seventh largest city in the country, but not one regional or financial problem would be solved. It simply creates a diversion from addressing the real issues.

I recognize, of course, that the economic issues confronting Pennsylvania's

smaller municipalities are serious and genuine, but the structure of local government here has proved to be both resilient and responsive to changing needs for several hundred years. If Pennsylvania is to renew its prosperity, we will need to address the issues that are driving up costs

for everyone. As the RenewPA campaign tries to build its case for consolidating local government into larger units, it runs the risk of undermining one of the commonwealth's greatest strengths. ♦

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Debate Over Local Government's Future Should Focus on Quality, not Quantity

BY R. KEITH HITE / EXECUTIVE DIRECTOR, PENNSYLVANIA STATE ASSOCIATION
OF TOWNSHIP SUPERVISORS

Is bigger government better for Pennsylvania?

This question — whether you realize it or not — is being bandied about in all four corners of the state and in the halls of our very own Capitol. And how it's eventually answered could have a significant impact on the lives of the 5.1 million Pennsylvanians who live in townships.

Why? Because a handful of special interests, some of whom have no particular ties to the commonwealth, contend that Pennsylvania would be much better off without its smaller, local governments. With 2,566 cities, townships, and boroughs, the commonwealth has too many municipalities, they say. Even worse, local governments are duplicating services, wasting tax dollars, encouraging sprawl, and making the state unattractive to new businesses.

Their solution to the problem: Merge and consolidate the state's cities, townships, and boroughs to create a centralized urban-based system of government out of what they claim is a decentralized suburban mess. With fewer, larger governments, they say, Penn-

sylvania would be in a position to revitalize its decaying cities, get a grip on land use, attract jobs, and reduce government spending.

But a new report commissioned by PSATS has found just the opposite is true.

Titled *Growth, Economic Development, and Local Government Structure in Pennsylvania* and written by government consolidation expert Wendell Cox, the report reveals that despite what the naysayers may have you believe, local governments are not at the root of the commonwealth's problems.

In fact, the report underscores that local governments, namely townships, are an example of what's right with Pennsylvania, not what's wrong. Almost all are operating efficiently, providing needed services, and keeping costs and taxes down. For instance, townships are home to 42 percent of the state's population, yet account for only 28 percent of its spending.

And let's not forget what Pennsylvanians want. They want their small, local governments to remain intact, according to a 1998 survey by the Lincoln Institute of Public Opinion

Research in Harrisburg.

Of the registered voters who responded, 80 percent did not want their local government to be replaced with countywide government. Another 70 percent felt that their municipality should remain independent and should not merge with a surrounding municipality.

So why then is bigger government seen as the solution to Pennsylvania's problems?

Well, it would make life a lot easier for special interests, including developers and business owners, who don't want to deal with a large number of municipalities. But should their self-serving desire for neat and tidy decision-making outweigh what is best for the rest of us?

PSATS doesn't think so, and that's why it is working to ensure that the debate over local government's future focuses on what's most important: the quality of government in Pennsylvania, not the quantity.

Because the truth is, grassroots governing — the kind of governing

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— **R. Keith Hite**
PSATS Executive Director

you find in townships — is the heart and soul of this commonwealth. And no matter how you play the numbers

game, one thing will always be true: Smaller government truly is better government for Pennsylvania. ♦