Revisiting Metropolitanism and Fiscal Disparities

Alan K. Campbell

I was surprised and a bit troubled on learning that being president of this organization required a Presidential Address—what in the world would I talk about? I have not done any significant research for nearly two decades and, although my experience during that time may have some relevance for policy analysis or, perhaps better, public management, I'm not ready to talk about it. I am still trying to put together what, if anything, I learned from my public and business management experience—particularly their similarities and differences. At the moment I have only impressions, and even those are not very clear.

Another possible address topic might have been selected by following in the footsteps of Dick Elmore and focusing on a specific public policy/management education issue—in his case, executive education for public managers. The issue I considered was whether students of public policy and management are sufficiently emphasizing the international and comparative aspects of the fields they are studying. We did devote a day of the spring meeting to that issue, and I was enlightened by the presentations of Brett Hammond, Charlie Wolf, Bob Putnam, Peter Gourevitch, and John Palmer. I am sure those in attendance took away some good ideas to try at their own institutions. Although I learned a great deal from the discussion, I decided there was not much I could add. I am delighted that this year's Program Committee has made special efforts to include these comparative and international aspects of policy analysis in this year's program.

Having decided I couldn't add anything very useful to that discussion, I called Lee Friedman, the editor of the *Journal*, to tell him that I thought I would better serve the interest of the organization if I told a couple of jokes and left the rest of the time for the luncheon attendees to talk to each other. He was very nice and didn't disagree when I said I doubted I had anything very useful to say, but he did feel it would be unfortunate to miss a year in the tradition of publishing the Presidential Address in the *Journal*. He urged

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me to think about it, and perhaps say enough to justify a two- or three-page article. I am not certain that what I will say today will be worth the use of valuable space in the *Journal*, but he did convince me I should try.

What I finally decided was to assume a bit of a Rip Van Winkle stance by reviewing some of the policy research in which I was involved in the 1960s and early 70s (i.e., before deaning, public managing, and for-profit managing), and comparing some of its findings and policy recommendations to today's public policy issues. I will also make a few preliminary observations about public/business management similarities and differences. I'm not sure how interesting any of this will be, but I can promise you it will not take very long. I apologize in advance for its somewhat nostalgic and self-serving tone.

METROPOLITANISM AND EDUCATION FINANCE

My research from the early 60s through the mid-70s was primarily about the character and consequences of the redistribution of population and economic activities within America's metropolitan areas. I was part of a fairly large group of faculty and graduate students at the Maxwell School who participated in this research. Emerging from that nearly fifteen years of research was a large number of articles, books, and monographs, as well as a considerable amount of public advocacy by some of those, including me, who participated in the research activity. Much attention was devoted to examining the public finance consequences of this redistribution, particularly those consequences for elementary and secondary education.

As we all know, the sorting out of population and economic activities resulted in a substantially higher proportion of lower-income people remaining in or moving to the central cities while the suburbs came to be characterized by middle- and uppermiddle-income people. Following the population redistribution was a similar move by much economic activity. In the beginning, most of the economic activity was associated with providing goods and services to the population that had moved, but gradually, more and more of it served a much broader market.

REFORMING METROPOLITAN GOVERNANCE

The social and public finance consequences of this redistribution caused concern to many civic leaders. The result was a fairly vigorous reform movement dedicated to the proposition that government in metropolitan areas should be restructured to better reflect this new distribution.

I was personally involved in these reform efforts in several ways, but most enjoyably as project director for a policy subcommittee of the Committee for Economic Development (CED), an organization of chief executive officers of major corporations and universities. The outcome was a policy statement entitled *Reshaping Government in Metropolitan Areas* [CED, 1970]. The interest in the field was demonstrated by the fact that this statement was for many years CED's best seller, to be surpassed only recently by its policy statements about education reform.

At the Maxwell School, we began our work in the area of metropolitanism by looking at these general demographic and governmental structure issues.

But then several of us began to focus more attention on its fiscal outcomes, especially as it affected the financing of elementary and secondary education services. Our research demonstrated, as did that of many others, the great disparity in expenditures per pupil from one school district to another—a disparity primarily determined by variations in property wealth per student. It was generally found that school districts in central cities spent less per student than those in the higher-income suburbs, although they were not usually the lowest spenders.

An examination of how these disparities were affected by intergovernmental flows of funds found that state aid played a very small role in offsetting them. This problem was accentuated in the central cities by the heavy demand on city tax bases for other municipal services—which became known, at least at that time, as the "municipal overburden." We also believed we found a difference in how state aid affected local efforts in cities and suburbs: while that aid tended to add to the tax effort in the suburbs, it was much more likely to replace any such effort in large central cities. State aid, therefore, often accentuated rather than reduced the disparities.

As these finance studies were being done, another stream of research emerged, investigating the causes of variations in student performance. Some researchers at the Maxwell School participated, particularly Jerry Miner, Jesse Burkhead, and Seymour Sacks, but more was done elsewhere. A substantial number of major studies—perhaps the best known being the Coleman study [1965]—concluded that the influence of variations in expenditures on student performance was weak or overpowered by other variables, particularly by the social and economic characteristics of student families. This provided a great deal of fuel for those who championed the status quo by arguing that major changes in the system of financing education would probably not make much difference in student performance.

More generally, the metropolitan research and policy debates of the time related to metropolitan government structure, intergovernmental flows of funds, and to the financing of elementary and secondary education. The debate about structure centered on the advisability of creating metropolitan-wide government. I have already mentioned that the CED turned its attention to the problem, as did many other groups.

In many communities, local reform organizations worked hard to restructure government in their metropolitan areas. These efforts led to a few city/county consolidations. For example, probably no community in America was more studied for its metropolitan reorganization than Nashville/Davidson County, Tennessee. Perhaps equally intense was the attention given to the Twin City area in Minnesota, which established a general regional Metropolitan Council and created some tax sharing between the suburbs and the central cities. In some metropolitan areas, single function special districts were established, particularly for transportation. But no genuine metropolitan-wide government emerged from all of this; the opposition in community after community was simply too great.

FISCAL DISPARITY AND THE INTERGOVERNMENTAL FLOW OF FUNDS

Attention was also given to increasing the amount and changing the direction of the intergovernmental flow of funds for both general government and schools in an attempt to direct more funds to those jurisdictions that were in greater need. I think its fair to say that a little progress was made in most states, but a lot of progress in only a few. In the case of aid for education, much of it was mandated by court decisions.

There was more response at the federal than the state level. The passage of the Elementary and Secondary Education Act, with its Title I aid, did increase the flow of funds to school districts based on the proportion of their students who were disadvantaged. Further, the general increase in federal aid to state and local governments was characterized in part by direct aid to urban governments through urban renewal and general revenue sharing—a new role for the federal government. To some extent, this aid did have a direct impact on the central city/suburban disparities, although the tendency for the central cities to regard such aid as replacement rather than supplemental funding reduced its effectiveness in offsetting the disparities.

I personally had a fascinating experience in the policy arena when I attempted to have "municipal overburden" taken into account in the distribution of state aid for education in New York. I was elected in 1967 as a delegate-at-large to the New York State Constitutional Convention and served as chairman of the Committee on Local Government. Although it was not directly in the purview of that committee, I decided, in association with some other delegates, to try to influence through the constitution the distribution of education aid in the state. We drafted a proposal to be placed in the new constitution which read, "any statute apportioning state aid to school districts shall take into account both the special education needs, if any, of students in each district and the total local tax burden for education and non-education purposes of the taxpayers of each district"—in other words, "the municipal overburden."

The proposal caused an acrimonious debate on the floor of the convention, and the first time it came to a vote, it lost (it won a majority of those voting, but the requirement for passage was a majority of the total membership). Believing we had been defeated, I started to leave the chamber when a wiser parliamentarian than I, who favored the proposal, moved to have it tabled, which created the opportunity to bring it back later. I should add that during that first debate, Abraham Beame—a delegate to the convention and later mayor of New York City—moved to have the proposal amended by requiring that aid be based on school registration rather than average daily attendance. The value of this to New York City is evident.

Feeling both defeated and disappointed, I was not anxious to bring the proposal back to the floor and argued that I would do so only if we had a clear shot at passing it. I had the great good fortune of having Donna Shalala—a person well-known to most of you—as my special assistant at the convention. Donna made it her business to line up the votes. She had already put together an organization of special assistants at the convention, many of them young graduate students, and they went to work. On the basis of that effort, an early example of Donna's political skill, we took the proposal back to the floor.

During this second debate our opponents, led by the convention's Republican leadership, indicated through minority deputy leader Perry Duryea that there was en route to the convention floor a letter from the commissioner of Education, James Allen, arguing that this proposal would be absolutely disastrous for education in New York State. He urged that we delay the vote until after delivery of that letter. As if on cue, a messenger rushed down the aisle and handed an envelope to the Republican minority leader, Earl Brydges. He opened it with obvious relish. As he began to read the letter, he glanced ahead, and his changed expression made it clear that the letter would not live up to his expectations. In fact, the commissioner argued only against the Beame amendment and concluded what was supposed to have been his claim of disaster with, ". . . a change of this importance in the method of computing state aid should not be made without intensive study and deliberation involving hearings with the education people of this state." His letter, if anything, helped us, and the proposal passed 95 to 75.

The proposal was a part of the new constitution presented to the people of New York State in the fall of 1967. Even though that document had the support of both Governor Nelson Rockefeller and U.S. Senator Robert Kennedy, it was defeated almost two to one. Our aid to education provision was not the only cause of its defeat, although opponents heavily campaigned against the proposed constitution on the grounds that it was primarily designed to aid New York City [Shalala, 1972].

The research demonstrating disparities in support of education played a significant role in the courts. However, the attempt to use the federal constitution as a remedy failed in the Rodriguez case, a case in which Joel Berke, a participant in the research at Syracuse, played a major role.[1] There was greater success in state courts with about one-third overturning state school finance structures, including California, New York, and New Jersey.

METROPOLITANISM REVISITED

Having briefly surveyed these findings as they relate to metropolitanism from an earlier period in the history of policy analysis, let me now contrast them with the current situation. It is not my intention, since I am by no means current, to review the research of the past two decades, but I will make a few observations based on a bit of catching up I've recently undertaken.

As for the redistribution of people between central cities and suburbs, the trends that began in the 1950s seem to have continued. Although there was a period in the 70s when some students, as well as popular journalists, thought they discerned a return of middle-income people to the central cities, a trend that became known as gentrification, however, it apparently has not amounted to much. I think it fair to say that popular writers, in examining this phenomenon, would find each year the two or three families who made such a move and write articles about them.

In the heyday of urban/metropolitan research, it was believed by many of us involved in that research—as well as by urban practitioners—that the economic viability of the central city was essential to the economic health of the entire metropolitan area. In the mid-70s, as New York City flirted with bankruptcy, we witnessed some rallying around the city by people across the metropolitan region—or at least by those both in and outside the city who had a significant stake in its economic survival, and there were many who did. For example, the Tri-State Regional Planning Commission sponsored a conference in New York that was devoted to the need for the people and the

[1] San Antonio independent School District vs. Rodriguez, Supreme Court of the United States (1973), 411 U.S. 1, 93 S, Ct. 1278, 36 L.Ed. 2d 1G.

jurisdictions in the region to work together. I had the pleasure of addressing that conference and, as an avid reader and fan of *New Yorker Magazine,* was delighted when "Talk of the Town" covered the conference and quoted from my speech. The magazine reported:

> In effect, he (Campbell) reminded all concerned that New York City is the goose that has been laying their golden eggs and that every effort should be made to keep it alive. "To whatever extent the region is growing, depends upon the fact that New York City exists," he said. "For example, 31% of the Nassau County labor force works in New York City and earns 44% of the county job-derived income. Thus it is the jobs and high income the city provides that enables these people to finance their lives in suburbia." [*New Yorker*, 1976.]

People today are questioning this crucial role of the central city. Certainly the goose is sick, but the question is, does it make any difference to the region? Research by my Wharton School colleague, Anita Summers, indicates that central cities are less and less vital to the economic health of their regions [Linneman and Summers, 1991]. Perhaps the central city is being replaced in both commercial and residential functions by a new phenomenon called "Edge Cities," [Garreau, 1991], or what Bob Wood [1991a] has labeled "urban villages." These are quasi-independent concentrations of employment and residences at the edge of cities, distinguishable from traditional suburbs by their combination of jobs and housing, which reduces commuting and further isolates the central city.

In addition, a debate has emerged about whether "place"—be it city, suburb, metropolitan area, or whatever—is the appropriate unit for either analysis or public policy initiatives. In a recent article, Bob Wood notes its rejection in the late 70s by a Carter-appointed commission for a National Agenda for the Eighties. "There are 'no national urban problems,' only an endless variety of local ones" [Wood, 1991b]. He goes on to cite others, including Marshall Kaplan and Robert Reischauer, who support this position by arguing that policy emphasis should be on people rather than place. Wood rejects this approach and argues that the failure to relate policy to place weakens its real-world relevance.

> Once the case for different kinds and intensities of urban needs, human and environmental, is established, then the inadequacy of "people policy" becomes clear. Effective policy neither allocates resources nor authorizes transfer payments nor establishes delivery systems by space-indifferent indexes. Effective policy targets them and calibrates according to differential needs [Wood, 1991b].

"People policy" alone is not enough. I think Bob is right, but urban policy as a focus of debate has almost disappeared, as have many urban/metropolitan studies programs.

The decline in interest in urban policy has been accompanied by major changes in the intergovernmental flow of funds. The near abandonment of urban renewal, of general revenue sharing, of housing aid, and of funds for training and employment of the disadvantaged, has resulted in a substantial decline in the proportion of state and local budgets provided by federal aid. Although this decline was somewhat hidden by the increasing state and local revenues during the 1980s, the recession has changed that. Again, many cities are on the verge of bankruptcy, while states are reducing services and increasing taxes. Obviously, in this situation, states are not likely to focus on dealing with disparities among their local jurisdictions, even for education.

THE COURTS AND THE SCHOOL REFORM MOVEMENT

Jim Florio, Governor of New Jersey, following the mandate of New Jersey's highest court, convinced the state legislature to substantially increase and redirect state aid to education; now Florio finds himself in serious political trouble because that shift, combined with recession-caused revenue shortfalls, required a tax increase. As a result, there has been a backing away from attempts to meet the court mandate, and the issue has returned to the courts.

Other states have also seen a number of new court cases over the past few years. Several, including Kentucky, Texas, Arkansas, and Montana, are under court mandates to address their education finance problems. In the case of Kentucky, the courts found that the entire public school system is unconstitutional [Barton, Coley, and Goertz, 1991].

Of relevance to this new interest in education finance is the concern over the past decade with overall education reform. To date, this movement has given relatively little attention to finance and disparity issues. Instead, it is argued that the education system is failing all students—those in high-income suburban districts as well as those in low-income city districts.

The old debate about the relationship of spending to educational quality is, however, resurfacing. This debate will be enriched by the recent findings of Ron Ferguson [1991] and his Kennedy School colleagues, based on an analysis of the data made available by the various tests used in Texas for both teachers and students. He does find some significance for in-school variables—that they do, in fact, have an impact on education outcomes for Texas students. He finds that "Better literacy skills among teachers, fewer large classes and more teachers with five or more years of experience (nine or more for high school) all predict better scores, controlling for a number of family and community background factors" [Ferguson, 1991].

To date, however, the school reform movement has emphasized structural and delivery issues rather than financial ones. Whether school-site management, advanced certification for teachers, curricula innovations, integrated services at the school site, or school choice will accomplish the kind of improvements claimed remains uncertain. My own view is that these changes, along with others, will require greater resources and more attention to equity issues.

The analysis of these issues is being well served by the establishment at the University of Southern California of the Center for Research in Education Finance. Headed by Allan Odden, the Center has already published important studies relating school finance to some of these reform initiatives. I look forward to following the work of the Center.[2]

Many of the underlying phenomena which emerged from our research in the 1960s and early 70s remain with us, but there are some important differences. For example, the population shifts continue, but with a resulting

[2] See *The Policy Brief*, University of Southern California, Center for Research in Education Finance. At least seven issues of the *Brief* have been published to date.

greater income-range in the suburbs, while the economic viability and centrality of central cities is being questioned. In the field of elementary and secondary education, the schools are by international comparative standards not performing well. [LaPointe, Mead, and Phillips, 1989]. This performance may or may not be new, but it is newly discovered, and it characterizes advantaged as well as disadvantaged schools. On the other hand, substantial school financial disparities remain or are even more pronounced.

The public policy initiatives related to these phenomena were largely abandoned in the 80s. Some would argue they were dropped because they failed; others, because they were not really given a chance to succeed. I place myself in the latter camp.

PUBLIC AND BUSINESS MANAGEMENT

Turning from these reminiscences, allow me a moment to comment on the question I have been asked most frequently in the last few years—a question based on my having held management positions both in government and, for the last decade, in business. The question is, what are the differences and similarities in public and business management? A corollary question: What can the public sector learn about effective management from the private sector?

I hope that eventually I will be able to put together my experiences and make a useful contribution to the debate over this question. In the meantime, let me repeat Wally Sayre's comment, which many of you will remember. I quote, at least approximately: "There are many, many similarities between public administration and business management, and all of them are trivial." I believe that this statement better represents reality than would its opposite. That does not mean, however, that there are not lessons to be learned by each sector, based on the experience and practice of the other.

Let me comment on one of the differences: the much larger number and more powerful role of staff (or, as they are sometimes called, "overhead personnel") in the public sector than in the private. In the business world, the reduction in both size and role of the staff functions—personnel, finance, planning, and the like—has been much emphasized in recent years as corporations struggle to compete in the global marketplace. This change means much more than simply cost savings. By design, reduction of staff in business is accompanied by an increase in the power and authority of the operating managers. In contrast, staff in the public sector frequently undermine the authority of line managers. This difference relates, I believe, to the nature of the functions performed by the public sector and the environment in which they are carried out.

Environment is dominated by the influence of oversight institutions, particularly in the federal government, but increasingly in state and local governments, too. These include legislative committees and subcommittees, comptroller generals, inspector generals, central budget agencies, central personnel agencies, and the media—all of whom prosper by finding fault with the agencies over which they exercise oversight. This inevitably leads to larger and larger staffs within the agencies as they struggle to reduce the likelihood that their overseers will turn up any embarrassing discoveries. That inevitably dampens innovative and risk-taking activity by public sector line managers.

Whether this is inevitable I'm not certain, but I am sure that a lot of the differences in behavior stem from this underlying reality. I am pleased that more and more members of the APPAM community are focusing their attention on public management issues, as illustrated by the increasing number of panels devoted to the topic at the annual research conference, as well as more articles in this *Journal.* I am impressed by recent articles directly relevant to this staff–line relationship. For example, Michael Barzelay and Babak Armajani [1990] write of the Minnesota experience, in which reforms were instituted to reorient staff–line relations to encourage more of a shared effort to increase the value of state services. Others involved in the "public management" effort within APPAM are also concerned with the obstacles and incentives faced by operating managers for service improvements [e.g., Sanger and Levin, 1992]. I am not sure which of the many possible approaches to understanding this phenomenon and seeking improvements will be more productive, but I am encouraged by the efforts. I hope to contribute to this effort myself, but at another time and place.

I thank you for listening; I thank you for allowing me to serve as your president; and I am delighted to be back in the public policy analysis and management world.

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