

Multi-Community Membership, Free Riders, and Effective Governance

by Robert E. Suggs

Modern technology has already caused revolutionary changes in our individual lives. Futurists speculate that in the 21st Century the mass use of computers combined with global networks such as the Internet will accelerate the pace of change, creating a virtual community where people will meet, interact, work, shop, and play free of geographic constraints. The impact of 20th Century technologies, electric power and the automobile, by creating a mobile labor force and allowing industry and commerce to disperse, has been no less remarkable.

These technologies made possible simultaneous membership in many communities. Multi-community membership undermines our ability to pursue our collective interests through geographic communities. Multiple memberships increase incentives to "free ride" on the governance efforts of others and allow affluent citizens to choose among jurisdictions for their array of desired services as though they were dining at a smorgasbord. They can live in one jurisdiction (because of school quality), work in another (because it offers superior employment opportunities), and relax in a third (because of its land use policies). The existence of choice and the freedom to choose, permits citizens with expertise, influence, and resources to remain uninvolved and escape the problems of the central city. If they could not escape, these problems would rank higher on our national agenda.

As early as 1900, large manufacturers began leaving central cities to find large tracts of cheap land. Such locations became practical when truck transport freed employers from railroad arteries, and

Robert E. Suggs is an associate professor of law at University of Maryland School of Law. He holds a B.A. from University of Michigan and a J.D. from Harvard Law School.

electric power replaced steam. Steam energy (like water power) required its consumers to cluster together because its heat energy quickly dissipates, and the economies of scale necessary for its generation limited suppliers to large public

The existence of choice and the freedom to choose permits citizens with expertise, influence, and resources to remain uninvolved and escape the problems of the central city.

utilities. By the 1920s, central business districts, with high concentrations of both commercial offices and retail activity, suffered from insoluble parking and congestion problems created by automobiles. Electric power and motor transport were making the role of the central city obsolete. They were also making employer dispersal practical and inexpensive, while the mobility and congestion created by automobiles made dispersal convenient. As a result, individual cities no longer serve as the primary geographic economic unit. They have been supplanted by their surrounding metropolitan regions, comprised of many jurisdictions competing with each other to attract affluent residents and high income employers while excluding unattractive land uses and those in need of social services.

Effective and responsive government is a "public good" because it is nonrival and nonexcludable. That is, the enjoyment of good government by one citizen does not prevent the enjoyment by others, and good government, once created through the efforts of some, cannot be denied to others within the same jurisdiction. As a nonrival and nonexcludable good, free riders, who benefit from the creation and maintenance of effective and responsive government without contributing to the process, can claim the same share of it as those who do. An economically rational citizen (assuming such a person exists) will devote time and resources to achieving or maintaining good government only if that citizen can capture individual benefits from

participation in excess of the individual costs of participation.

Free Riders

Prior to the automobile era, when most employees walked to work, urban governments were small in geographic scope, and most people looked to a single jurisdiction to satisfy all their needs for public services. Even if the time and effort devoted to community affairs were considerable, the benefits provided ample incentive. The organization of metropolitan areas, with many competing jurisdictions, combined with the mobility provided by the automobile, allows citizens to diversify their investments in community memberships, permitting them to join communities for limited purposes and

receive particular services. By living in one jurisdiction, working in a second and third (reflecting a two income household), and playing in a fourth, they can become diversified investors in communities like

they have children or their children reach school age when the family moves to the suburbs with safer streets, and better schools and recreational facilities. Since these families will not be around to benefit

relationships, reputations have value and cooperation is enhanced because commitments or other obligations become enforceable even though they lack legal status. By contrast, our governmental system, which

With each decision to free ride in a different jurisdiction or with a private organization, a citizen reduces his or her commitment to membership in an existing community and reduces the potential benefit from future reform.

diversified investors in stock markets. Like diversified stock market investors, their fortunes are no longer tied to a single company. And just like investors, when a stock investment loses value, investors do not seek to reform management, but sell and buy alternative stocks. Reforming management, as with reforming government, is difficult and expensive. Even worse, if a few activist stockholders manage to reform the company, all other stockholders benefit, but the activists cannot recoup their expenses from the passive free riders. The same is true of government reform.

For free riding citizens, the costs of changing a single jurisdiction of employment or residence, when the household has multicompany memberships, may be small when compared to what is necessary to reform a deficient jurisdiction. The comparison becomes even more one-sided when changing jurisdictions guarantees the receipt of an acceptable level of service, while reform risks failure.

Increasingly, private organizations provide substitutes for public services, which permits even greater diversification. Private schools, armed and uniformed security services, and health and athletic clubs, allow affluent citizens to live in comfort despite inadequate public amenities. Organizations providing such substitutes compete with governmental jurisdictions, but they compete with an advantage because these organizations can ignore the distributional equity that governments must consider.

Many highly educated professionals pursue peripatetic careers all over the globe, spending only a few years in a place before moving to another employer or another location. High income families often live in cosmopolitan central cities, New York (Manhattan), Chicago, Boston, San Francisco, or Washington, D.C., until

from any improvements in public services, they have no incentive to even try.

The Consequences

Once citizens start down the slippery slope of diversification, their incentives to free ride increase and their incentives to participate in communities decrease. With each decision to free ride in a different jurisdiction or with a private organization, a citizen reduces his or her commitment to membership in an existing community and reduces the potential benefit from future reform. With each successful diversification, the incentive to switch rather than fight increases.

The ability to diversify also has consequences for jurisdictions. They no longer need to be self-sufficient communities with retail centers, commercial offices, manufacturing and warehouse facilities, and housing for the entire spectrum of incomes. They can specialize and become bedroom communities for the affluent or become employment centers that permit only trouble-free commercial office parks. Given the ease with which employers with mobile labor forces can relocate, jurisdictions are forced to compete with relocation subsidies to attract and retain desirable employers. This is worse than a zero sum game for the local governments that are forced to play, because gains to one jurisdiction are offset by the losses to another and the subsidy to the private employer becomes a net loss to the public.

The consequence which foreshadows the possible impact of virtual communities in the next century is the nongeographic communities created by telephone and air travel. These communities consist of members who interact repeatedly and frequently enough to establish relationships of enforceable trust. In such

is based upon territorial jurisdictions, assumes a community of interest and frequency of interaction based upon physical proximity. Increasingly, that assumption is false because for many professionals, the relevant community consists of a professional community without geographic boundaries, existing as a network of individuals sharing common experiences, expertise and interests. Their actual neighbors, living in close proximity, may have only a nodding acquaintance with them. When citizens sharing only a geographic community try to participate in governance, they lack a prior history of dealing with each other, so each participant's reliability and trustworthiness remains unknown. Without trust, cooperation becomes more difficult and time consuming and the chances of success more remote.

In a complicated and interdependent society, active participation in local government by those with high levels of education and sophisticated experience in governmental and business institutions would aid the solution to difficult problems. These citizens have the skills to cope with complex and arcane issues of local finance, service delivery, and economic development, but they have increasingly deserted the central city or sequestered themselves in secure enclaves to separate themselves from its fate. With this separation, they lack incentives to devote time and resources to community matters. Increasing their incentives must become one of urban policy's principal goals.

If some of the most educated and affluent citizens lack material incentives to involve themselves, then what motivates those that do? Often they become involved to pursue what the media call "single issue" or "special interest" politics. Examples can be drawn from both ends of the political spectrum, but whether the issue is "right to

life" or "civil liberties," activists concerned with a single or narrow set of issues tend to exclude other issues. They also identify strongly with their interests and this identification often becomes part of their self-conception. While intensely committed to achieving their political goals, participation is satisfying for its own sake. The benefit of participation, emotional and psychological satisfaction, has become separate and distinct from the concrete requirements of participation: the often mundane concerns of street repair and reduced teacher-student ratios that actually determine the quality of daily urban life. This separation distorts the basis for citizen participation.

The distortion between satisfactory participation and necessary participation creates a potentially irreconcilable conflict with traditionally motivated citizens, pursuing their collective self-interest through politics. One group values the process and seeks to establish and uphold certain enduring principles. This affluent group, insulated from the consequences of failed government policies by its multi-community membership, can insist on adhering to principle even if problems remain unsolved. The other group looks to the political process to deliver desperately needed resources. Such a conflict may become irreconcilable because compromise by splitting the difference is unworkable. Principles, unlike resources and budgets, cannot be neatly divided.

When such conflicts produce stalemates, affluent groups can join other communities or purchase the desired services from private organizations to avoid the worst effects. Less affluent groups must endure the consequences. They lack geographic mobility because they cannot afford suburban housing and because they have few of the marketable skills that employers want. Without the skills or resources to diversify and pick and choose among jurisdictions or buy substitutes from private firms, they belong to only one community and that one often fails to provide critical services, such as a quality education for their children and physical security. These citizens have strong incentives to participate in governance because they require quality public services, but they also have the least skills

continued on page 26



ABOVE: Project S.H.A.R.E. members Erica Lewis and Dave Navetta help a vendor at the *Streetwise* intake clinic.

Chicago Law Students Filling a Gap

by Kate Walz

A group of DePaul University College of Law students in Chicago met last spring to talk about what they could do to help people living in poverty. They knew the current cuts in legal and social services would severely impact the homeless, who were already without access to these services. This demand for a new approach to homeless outreach developed into *Students for the Homeless through Advocacy, Research and Education* or Project S.H.A.R.E., a student-run not-for-profit. Project S.H.A.R.E.'s mission is to provide legal advocacy and social services to Chicago's homeless and to bridge the vital gap in services needed to attain semi-permanent housing. Since May of 1995, S.H.A.R.E. has created intake clinics in Chicago homeless shelters to provide direct services to those in need. Additionally, S.H.A.R.E. published a manual that outlines how to provide legal advocacy and social services to people who are homeless.

One of the first intake clinics S.H.A.R.E. developed was at *Streetwise*, a Chicago-based homeless advocacy newspaper. *Streetwise* works toward empowering people who are homeless; vendors sell the *Streetwise* newspaper and in turn receive part of the profit.

Kate Walz is a third-year student at DePaul College of Law. She is the president and co-founder of Project S.H.A.R.E.

To understand the needs of *Streetwise* vendors, S.H.A.R.E. did a survey asking for a description of their socioeconomic, housing and legal status. S.H.A.R.E. now runs an intake clinic at *Streetwise*, helping vendors gain access to legal services, information on public benefits, housing, bankruptcy and so on.

S.H.A.R.E. is also working with Sarah's Circle, a Chicago drop-in center that offers a safe haven for homeless, transient and low-income women. Sarah's Circle clients face problems of domestic violence, eviction, child custody and access to benefits and employment opportunities. In addition to the intake clinic, S.H.A.R.E. is developing another perspective to their work at Sarah's Circle. To lessen the intimidating nature of the courts and the devastating effects that occur when one proceeds pro se, S.H.A.R.E. is creating a program for Sarah's Circle clients when they are in court. S.H.A.R.E. members will provide support for the women appearing pro se and also teach Sarah's Circle clients what to expect when they are in court.

As the year anniversary approaches, S.H.A.R.E. realizes how far it must still go before becoming a stable community service provider and making a true break in the cycle of homelessness. S.H.A.R.E. hopes to become a permanent bridge for Chicago's homeless population to both affordable, habitable housing and social services and legal programs.

Free Riders from page 15:

to intervene effectively in a complicated and interdependent social, economic and political structure.

Policy Recommendations

To address the perverse set of incentives which undermines our ability to function as a single community and resolve longstanding and pressing social problems does not require turning back the clock and returning to steam power and horse and buggy transportation. We can instead reduce the ease with which community memberships can be diversified.

Metropolitan Special Districts

Greater use of metropolitan special districts (as with mass transportation) would reduce the ability of local governments within the metropolitan area to avoid their fair share of the region's problems. Regional governments are not favored because their size removes them from the influence of ordinary citizens, and there is a preference for governments "close to the people." Yet if the diversification of community memberships has attenuated the assumed link between physical proximity and common interests, then the utility of having local governments achieve this "closeness" by holding sway over small territorial units is greatly reduced, undercutting one of the major arguments against metropolitan government.

Policies which reduce choice and encourage extended commitments and mutual reliance are needed to create healthier communities and viable central cities.

Metropolitan government through special districts for selected services would reduce the smorgasbord of choices available to the most advantaged citizens. Special districts would be especially useful for school financing (but not necessarily for school operation). This would prevent affluent jurisdictions from zoning for desirable commercial office parks to maximize their tax base for schools, while zoning out multifamily housing which minimizes the number of children, especially poorer children who need more social services. Other candidate services for metropolitan-

wide special districts include public housing and health care.

Commuter Income Taxes

The incentive to live and work in different jurisdictions also could be reduced by wider use of commuter income taxes imposed on an entire region. Central cities often lack legal authority to impose commuter taxes unilaterally, and to do so makes them more expensive than other jurisdictions in the metropolitan region. A tax imposed only by the central city on residents or commuters creates an additional cost incentive for affluent residents to move out and employers to relocate, further exacerbating the city's fiscal plight. A commuter income tax would allocate equitably taxes on earnings between places of employment and residency.

Limitations on Tax Exemption

Private firms that provide substitutes for public services, e.g. private schools, often are organized as tax exempt nonprofit institutions. Private schools enrich society by expanding the selection of educational alternatives, but their existence also permits more affluent citizens to avoid grappling with the failure of many central city schools. Whether this flight from responsibility should be subsidized with a tax exemption is a question that merits attention.

Development Impact Fees

As the older and inner ring of suburbs

in metropolitan regions begins to experience the same problems as the central city, the tendency is for the affluent to seek haven farther out in less developed jurisdictions with cheaper land. The resulting suburban sprawl is wasteful because it replicates existing infrastructure in lower density communities where there are fewer economies of scale. The tendency to sprawl could be constrained by requiring new residents to pay the full costs of expanding the public infrastructure. A region could accomplish this objective by financing new infrastructure in

new areas with development impact fees. Such fees shift the costs of development from long incumbent residents to new arrivals. By making alternative locations more expensive and hence less attractive, incentives for multi-community memberships are reduced.

Private Toll Roads

At a minimum we could stop subsidizing commuters who can diversify over an entire metropolitan region because of interstate highways that are 90 percent federally financed. Privately financed limited access toll roads, used in northern Virginia to expand the road network, would require commuters to pay more of the costs that their multi-community memberships impose on the rest of society.

Reconstructing the Political Community

The experience of an individual's participation in a community has changed during the 20th Century. Further and perhaps more fundamental change may well occur in the next. Yet our legal construction of local governments still assumes the horse and buggy era of lifelong commitments to a single community and jurisdiction. Geographic mobility, by creating the possibility of simultaneous membership in many communities, has reduced the incentives and distorted the purposes for citizen participation in local governance. The result has been to encourage selfish free riding and community participation as an end in itself instead of as a means to create and allocate public resources.

Heretofore we have associated expanded choice with progress and improvement. However, in the context of involvement in our communities, the opportunity to pick and choose specific public services from a variety of jurisdictions not only forces these localities to compete for our allegiance in ways that waste resources, but removes the beneficial connection between civic action and self-interest from the dynamic of citizen participation. Policies which reduce choice and encourage extended commitments and mutual reliance are needed to create healthier communities and viable central cities. ♦