

The Homevoter Hypothesis:
How Home Values Influence Local Government Taxation,
School Finance, and Land-Use Policies.

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To the memory of Charles M. Tiebout,
for whom a sense of humor was an intellectual asset.

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Preface

I invented the portmanteau word “homevoters” (homeowners who are voters) to emphasize that residents who own their homes have a stake in the outcome of local politics that makes them especially attentive to the public policies of local governments. This book works out the implications of homeowners' concern about the value of their largest single asset. It explains why competition among local governments results in a race to the top in public education and environmental protection instead of, as is commonly alleged, a race to the bottom.

In *The Economics of Zoning Laws* (1985), I advanced the idea the local governments use their land-use controls in rational if not always admirable ways to maximize the value of owner occupied housing in their community. Most other economists had till then a Manichean view of zoning: It was modeled either as a wooden-headed constraint on urban development or as a sophisticated means of “internalizing externalities” by all-seeing planners. I sought to replace both of those approaches with a model that emphasizes the economic interests of residential voters as the best way to understand zoning.

My second book, *Regulatory Takings* (1995), investigated the role of the courts in refereeing the division of property interests between private owners of developable land and the public ownership that zoning implicitly confers on the rest of the community. I argued that the courts need to pay special attention to land-use regulation because local governments were too good at it. Their regulations have the potential to transfer too many property rights from the private to the public sector, making zoning unfairly and inefficiently restrictive.

In her *Yale Law Journal* review of my 1995 book, Carol Rose (1996, p. 1058) expressed some perplexity about my focus on local government. “In distinguishing state or federal from local legislation,” Rose wrote, “Fischel joins a mainstream tradition that can be described roughly as ‘localism bashing.’” While she pointed out that I am “certainly not the worst in this tradition; indeed, he defends local governments (especially the much maligned suburbs) for the range of choice that they offer citizens and the efficiency with which they deliver services to the citizens that choose them. But he argues that these governments' very efficiency — their satisfaction of their own ‘median voters’ — is linked to a predilection for unfairness to those who fall outside that category.”

The present book might be viewed as a defensive response to Carol's comment. Really, I *do* like local government. That is why I spent so much time thinking of ways to correct its excesses and shortcomings. But simply retelling the virtues of local governance is not my objective in this work. I found an *explanation* for why local governments work better at providing local services than larger area governments.

The explanation is so simple that I stared at it for years without recognizing it. Everybody knows that homeowners care about the value of their major physical asset, their home. Most economists and nearly all home buyers know that the good things and bad things that local governments do tend to raise or lower the value of that asset. Studies of political economy find that homeowners are the dominant political faction in all but the largest local governments. This book puts these three propositions together in a positive account of local political economy that shows how and why it differs from the state and national brand.

I wish to thank without implicating Tony Downs, Bob Ellickson, John Matsusaka, and Jon Sonstelie, who read and critiqued the entire manuscript, and Clay Gillette, Tom Heller, and Jon Teaford, who offered helpful comments on individual chapters. The year-long sabbatical leave during which the first draft of this book was written was sponsored by Dartmouth College and was supplemented by a grant from the college's Rockefeller Fund for Social Science Research. The Daniel J. Evans School of Public Affairs at the University of Washington provided a hospitable environment for my sabbatical, and I am especially grateful to Bob Plotnick and Dean Marc Lindenberg for facilitating my stay. The Lincoln Institute for Land Policy underwrote earlier work that was the basis for several chapters, and Lincoln's Joan Youngman provided much-appreciated encouragement in this enterprise. The Homer Hoyt Institute provided a helpful forum for exploring early versions of this work, and I also benefited from seminars hosted by the Kennedy School of Government at Harvard University, Lehigh University, Marshall School of Business at the University of Southern California, Public Policy Institute of California, University of Virginia Law School, and Yale Law School as well as my home institution, Dartmouth College.

I am most indebted to my wife of 27 years, Janice Goldberg Fischel, for her patient assistance in reading the manuscript and for her willingness to forsake home and career track for a year-long stay in Seattle. Okay, Seattle wasn't exactly hardship duty, but I do appreciate her tolerance for

visiting burgeoning suburbs rather than more normal tourist spots. The sky seemed so much brighter when she was along.

Hanover, New Hampshire

March 2000