Chapter 9: How Homevoters Remade Metropolitan Areas

Most critical reviews of American local government strongly imply, when they do not say it outright, that metropolitan fragmentation is an “accident of history” or “an accident of geography.” The term “accident” leads one to ask what can be done to cure the unfortunate condition into which hapless cities have fallen. It precludes serious inquiry into whether local fragmentation might have served, and thus might still serve, some desirable purpose.

This chapter will review the history of municipal incorporation. The legal mechanics were limned in chapter 2, but such descriptions seldom account for the forces that have led homeowners to become the dominant players in most municipalities. In describing this history, I offer a new explanation for why zoning came to America when it did. Zoning’s rise in turn explains why the consolidation of local governments declined at about the same time. The incorporation rage in the Los Angeles area in the 1950s and 1960s confirms this account. It also explains how the city of Baldwin Park, California, became the poster child of the school finance reform movement.

9-1 Municipal Formation Was Decentralized in the 1800s

Jon Teaford's *City and Suburb: The Political Fragmentation of Metropolitan America, 1850-1970* (1979) is a wide-ranging history of how local governments became so fragmented. His unassailable conclusion is that it was no accident. The people on the ground at the time wanted it that way. Fragmentation was the result of a bottom-up political process, democracy in one of its rawest forms. Moreover, this bottom-up process was not inevitable in any constitutional sense. Every state, from its earliest beginnings had the authority to create localities by whatever means it chose — centralized or decentralized.

Teaford's conclusion is all the more convincing to me because he does not much care for fragmentation. His first page opines that “the result of this fragmentation is inefficiency, confusion of authority, and disparity in shouldering the burdens of the metropolis.” His sympathies are with consolidation or, failing that, strong federations. But he's an honest recorder of facts, and he acknowledges that the political actors at the time often did not agree with his point of view. I review his work in some detail in this and the next several sections to show that fragmentation was what people wanted, and, more important, that consolidation and federation
were in fact proposed and rejected. Modern advocates of metropolitan government tend to elide the fact that metropolitanism is a path that has been explored in the not-so-distant past.

“The Fragmentation of the Metropolis, 1850-1910” is Teaford’s second chapter. The industrial revolution, which dates from about 1830 in the United States, promoted a migration to cities and the creation of brand new local governments. Before 1850, most state legislatures would create cities by special charters, just as they created private business associations. These charters described the location and powers of the local government, much as the same legislature might charter a railroad by describing where it could build and what its permissible activities might be.

Teaford briefly mentions the parallel between private and municipal incorporations (1979, p. 34). In the middle third of the 1800s, legislatures were being overwhelmed with requests for special charters by new businesses. In response, legislatures created more general and automatic procedures for incorporation both for businesses and for municipalities. This devolution was deliberate; legislatures could have gone on tailoring municipal-corporate charters to individual and local circumstances. A few eastern states persisted in this practice long after most others had taken a hands-off position with respect to most local government incorporations.

The underlying cause of municipal decentralization was “partially a reflection of the social and economic particularism emerging in industrializing America” (Teaford 1979, p. 10). In other words, people decided to resolve their differences by setting up different communities. It was a Tiebout world from the beginning. A demand for the newly developed urban services, such as sanitary sewers, paved roads, and piped water, was often most easily realized by incorporating a small part of a township or county as an independent unit. The separation avoided the otherwise inevitable conflict between townsfolk and rural residents who had little need of such services.

Some of the differences were literally matters of taste: Local regulation of alcoholic beverages was an important divide among communities throughout the 1800s. Less-frequent (though sometimes related) divides concerned local preferences for gambling, prostitution, architectural style, and public schools. Racial issues occasionally played a role in incorporation, sometimes with the twist of blacks incorporating in order to govern themselves without whites’ control (p. 27).
Businesses also tried their hands at municipal incorporation both to keep taxes down and to keep regulators at bay. Owners of factories and their workers were more tolerant of the noxious side-effects of activities that provided their profits and wages than people not connected with those industries. Smokey factories and smelly meatpackers sometimes found that it was cheaper to switch than fight. Some entrepreneurial residents would also incorporate to accommodate concentrations of industry as tax havens. Both residents and the firms would keep taxes low by declining to include within their boundaries tax-exempt property and larger numbers of residential users. Even though zoning did not exist in the 1800s, the establishment of municipal boundaries was often clearly influenced by fiscal considerations.

9-2 Consolidation Followed Fragmentation

“The Consolidation of the Metropolis, 1850-1910” (my emphasis) is Teaford's chapter 3. It embarks on a path that seemingly contradicts his previous chapter. Over the same time period that riotous fragmentation was going on, central cities were gobbling up the nascent suburbs that had grown up around them. Some of this was annexation of territory that had not previously been organized, but a significant amount was the merger of two municipal corporations, which is what consolidation meant.

As in corporate mergers, consolidations could be hostile or friendly. Friendly consolidations resulted from a local process in which voters of both municipalities consented to the merger. Town A votes by a majority to merge with Town B, and Town B does the same for the merger. Failure of either town to get a majority stops the consolidation.

Hostile consolidations could result if the state legislature forced the consolidation without the consent of a majority of the local voters in the smaller town. The 1854 merger of the suburban boroughs and townships of Philadelphia County into the City and County of Philadelphia was accomplished by the state legislature despite the protests of at least some of the local governments that were headed for extinction. The rules for annexation and consolidation varied by state, and some were hybrids of consent. For example, the vote might be local, rather than decreed by the state legislature, but simply require a majority of both municipalities combined. In this case, a small city that was strongly opposed might nonetheless be taken over by its larger neighbor.
Top-down, legislatively decreed consolidations like that of Philadelphia and its then-suburban cities became increasingly rare after 1850. So did the combined-majority approach. Consent of both parties was the usual rule. And even where the state continued to arrange the marriage, it seldom did so in the teeth of opposition of one of the cities (Teaford 1979, pp. 36, 62). One of the few substantial departures from this rule was the merger of Pittsburgh with the city of Allegheny (both were in Allegheny County, Pennsylvania) in 1907. The taxpayers of Allegheny City sued in federal court on the grounds that their property had been unconstitutionally devalued by having to take on the large municipal debts of Pittsburgh. The U.S. Supreme Court would have none of it. In Hunter v. Pittsburgh (1907), it famously opined that states could do anything they pleased with municipal boundaries.

Law professors such as Gerald Frug (1980) often decry the legal “powerlessness” of cities. They point to Hunter as both a source and a manifestation of it, contrasting legislative manipulation of city affairs with the greater autonomy enjoyed by business corporations. As is often the case, however, the legal rule does not describe political behavior. Teaford notes (without discussing the Hunter case) that the Pittsburgh-Allegheny merger was the “last time Pennsylvania's legislature would authorize an involuntary merger in the Pittsburgh region…” (1979, p. 94).

A city’s consolidation bait for its suburbs was usually access to the big city's water supply (pp. 39, 58). A central city (or what was to become the central city) would build a large reservoir and distribution system. The excess capacity of such a system made it possible to provide a reliable supply of water to nearby suburbs at a modest cost. The price of provision was often that the suburban government had to give up its separate existence and consent to consolidation.

The low quality and chancy quantity of most small-town water systems was a serious problem as urbanization proceeded. Surface and sometimes groundwater sources became polluted. Fire-fighting became more important as the suburbs developed more city-like densities. Withholding of water was a serious problem, and it was the big carrot for inducing formerly separate municipalities to consolidate with their bigger neighbor.

9-3 Why Did Municipal Consolidation Decline 1910-1930?

In the years between 1910 and 1930, the city-suburb consolidation process stopped almost dead in its tracks. Teaford describes it in his chapter 5, “Suburban Ascendancy, 1910-1940.”
Central cities continued to annex unincorporated territory when it was nearby, but such land became increasingly scarce as incorporated suburbs continued to proliferate and — what was new — balk at consolidation. The consolidations that did take place were with suburbs that were small or fiscally weak, and they were no great prizes. This phenomenon of 1910-1930 has been noticed by other historians of urban development (Kenneth Jackson 1972, p. 454). Even the City of Los Angeles, among the most aggressive in pursuit of territory by both consolidation with nearby cities and annexation of unincorporated territory, had by 1930 found itself “a city surrounded” by incorporated cities that were disinclined to join their fortunes with their water-rich neighbor (Gary Miller 1981, p. 12).

Seattle was another example of the great divide. Between 1908 and 1910 all eight of Seattle’s adjoining suburban cities voted to consolidate with the City of Seattle. (My source is a table of incorporations at <www.mrsc.org/library/inctable.htm>.) They were the last consolidations of the century. The eight suburbs — all small in land area compared to Seattle — had been incorporated between 1890, when Ballard was established, and 1906, when South East Seattle was incorporated. By 1910, every one of these new cities was just a neighborhood within Seattle. Ballard and some others were induced to join Seattle by the promise of water from the city’s expanding works, but all had the option of remaining independent. Seattle continued to annex adjacent territory from unincorporated King County after 1910, but no consolidations of Seattle with a previously existing city ever took place again.

Teaford offers three explanations for the national reluctance by viable suburbs to consolidate with cities after 1910.

• The threat of withholding water diminished as suburbs developed their own or joined special-purpose water districts that did not require them to surrender their corporate existence (Teaford 1979, pp. 78-80).

• The reputation of big-city politicians soured by the turn of the century as muckrakers such as Lincoln Steffans proclaimed The Shame of the Cities in his 1904 bestseller (p. 83).

• And all of the differences in preferences and fiscal conditions that had promoted fragmentation in the first place remained in place and, if anything, grew wider after 1910 (p. 91). The suburbs with stronger preferences for local control and with a viable fiscal
base no longer had to succumb to the city's blandishments, and most major consolidation efforts failed (p. 103).

Teaford's explanations are reasonable but unsatisfying for an event of this magnitude. The decline of consolidation was a sharp break with the past. It requires stronger explanations. Why didn't special-purpose water districts arise at some previous time? Was big-city politics ever played according to Marquis of Queensbury rules? Why were suburban differences becoming larger?

My explanation has to do with the rise of homevoters. The decades of 1890-1920 saw large advances in urban commuting technology — the streetcar and the automobile — which in turn promoted suburban homeownership (Sam Bass Warner 1962). People did not have to live near their jobs anymore. Those who could afford it — initially only the rich, later the middle-class — could commute from suburban locales. The commuters bought homes (not, I would note, with any help from the federal government), and suburban homeownership grew rapidly during this period (Robert Barrows 1983; LeRoy and Sonstelie 1983).

Homes became a powerful focus for the suburbanites’ savings and their affections. Teaford is well attuned to this feeling. In describing the failure to create the “Federative Metropolis” in chapter 6, he describes the ambivalence of suburban business people about getting into political bed with the central city. The suburban businessman with an office in Cleveland was eager to see Cleveland grow both by adding population and territory. But he also dearly valued the independent suburb in which he lived (1979, p. 115).

9-4 Zoning Was Induced by Footloose Development

Teaford (1979, p. 84) mentions in passing that after 1910, the independent suburb acquired a new and valuable tool to maintain its existing character: zoning. Zoning was sweeping the country in that era; contemporary accounts of its spread among the suburbs make it sound a bit like the spread of dance crazes (W. L. Pollard 1931). Its popularity at the time arose, I believe, from the separation of work and home that had recently been made available by the streetcar and automobile. Zoning provided the means by which suburbs could retain their autonomous character.

Consider, as Teaford does, the view of the suburban homeowner toward amalgamation with its adjacent neighbor, Cleveland, prior to zoning. Cleveland’s suburbs were certainly different in
1900 than Cleveland, and the differences were perhaps increasing. But in the absence of zoning, there was little to prevent most suburbs from eventually becoming developed to resemble Cleveland. Without collective controls, conversion of a home to a store, rebuilding a store as an apartment house, and development of factories that did not quite fall into the nuisance category (and thus be enjoinable by the courts) would have been perfectly possible in most suburbs.

There is direct evidence that such threats were real. A respected book on real estate by Stanley McMichael and Robert Bingham (1923) offered two chapters (of thirty-six) on the new institutions of zoning and planning. The authors, a real estate professional and an attorney in Cleveland, discussed the pros and cons of zoning in a way that seems thoroughly modern. Among its advantages was protection of home values, especially in the suburbs, because zoning forestalled the threat of apartments and commercial and industrial uses from settling in the neighborhood. By way of illustration of this possibility, the book displays two pictures of residential neighborhoods invaded by a natural-gas storage tank and by a warehouse in the pre-zoning era (pp. 316, 318). That this sort of problem was endemic at the time is suggested by a Harvard professor’s mention of it in his widely used textbook (Chester Hanford 1926, p. 234) as well as by state supreme court opinions that upheld zoning at the time (Martha Lees 1994, nn. 179-182).

Private covenants might have prevented suburban changes in use, but their establishment was cumbersome and, even where they were installed by the original developer, they almost never covered the entire community. As Los Angeles residential developers had found in the early 1900s, covenants in one neighborhood did nothing to prevent other developers from placing incompatible uses nearby (Marc Weiss 1987, p. 68). Nor could covenants protect a municipality’s fiscal situation from adverse development on uncovenanted land.

The development of the automobile was an important impetus for zoning. The original commuter suburbs developed along the lines of street railroads. As automobiles came into the hands of the middle class, the areas between the streetcar lines filled in (Eric Monkkonen 1988, p. 177). Streetcar fares dropped and more lower-income families could afford to commute, so developers built high-rise apartments along the lines. This was not a great threat to single-family home owners, though, because the routes of streetcars could be regulated and hence avoided by most homeowners, as Andrew Cappel (1991) established in his nuanced study of pre-zoning New Haven, and Charles Cheape (1980, pp. 29-32) showed for pre-zoning New York City.
Homeowners could thus avoid conflicts by building out the reach of the streetcar, assuming they had an automobile, and by using their political influence to control the routes of new streetcar lines. But the makers of automobiles soon brought forth over-the-road buses and trucks. Truck transportation was especially important in liberating manufacturers from the confines of downtown docks and railroad stations (Moses and Williamson 1967, p. 215). The motor vehicle that liberated homeowners from the central city and the lines of fixed rail transport also soon liberated apartment builders and industrial developers. The motor bus, which became the chief competition for the streetcar, could not be confined to a fixed route as easily. By the 1920s, zoning was the only practical way to protect residential neighborhoods from the newly footloose industrial and apartment developments. Henry Ford should perhaps be acknowledged as the true instigator of zoning in America.

9-5 *Euclid v. Ambler* Reflected Cooley’s Vision of Local Autonomy

Before they obtained the comprehensive control of municipal territory that zoning provided, close-in suburbs must have viewed consolidation with their central cities with a sense of inevitability. Even if they did not join with the city, they would soon become just like the city. Without zoning, the fiscal and environmental differences that made the suburb preferable to the city would not long persist. With such bleak prospects in the pre-zoning era, the blandishments of water and the economies of administration made merger with the city a reasonable proposition.

After zoning was established, however, the suburbs did not have to bow to the inevitability of convergence with their neighbors. They could control their own destiny. Independence from the bigger city was now worth fighting for. This did not mean, I hasten to add, that the suburbs could resist change entirely, even if they were so inclined. Zoning’s birth was difficult and its growth, though rapid, was often constitutionally problematical.

Some state courts initially resisted zoning’s novel restraints on the use of private property. This induced a short-lived attempt by some cities to compensate owners for zoning restrictions by invoking eminent domain (William Anderson 1927). Most state courts fell in line after the U. S. Supreme Court’s 1926 decision in *Euclid v. Ambler* which upheld zoning against the charge that it had unconstitutionally restricted the property rights of development-minded landowners.
That the Court’s most conservative member, Justice George Sutherland, wrote the *Euclid* opinion undermined almost all state-court opposition to zoning.

Sutherland is an illustrative figure for the homevoter explanation of zoning’s origins. Both his academic admirers and his more numerous detractors commonly regard *Euclid* as an aberration in Sutherland’s jurisprudence, even though he wrote three opinions in the following year that upheld zoning (Keith Revell 1999, p. 122). Hadley Arkes (1994) offers an explanation for Sutherland’s seemingly liberal inclination on this issue. Arkes is bent on rescuing Sutherland from his notoriety as an implacable opponent of the New Deal and other regulatory schemes. (The title of a 1950 biography by Joel Paschal summed up the common view: *Mr. Justice Sutherland: A Man Against the State.*) Arkes singles out *Euclid* as being consistent with Sutherland’s mildly paternalistic, “natural law” outlook (pp. ix, 70). For the origins of this outlook, Arkes points out (pp. 41-43) that Sutherland was a University of Michigan law student under the tutelage of Michigan Supreme Court Justice Thomas M. Cooley and was much influenced by him.

In his widely used *Constitutional Limitations*, Cooley maintained that there was an inherent right of “local self-government” that, even if it were not explicitly stated in their constitutions, state governments should not abridge (1868, p. 35; Paul Carrington 1997, p. 535). Cooley’s influence seems apparent from Sutherland’s recognition in *Euclid* that “the village [whose zoning was under attack], though physically a suburb of Cleveland, is politically a separate municipality, with powers of its own and authority to govern itself as it sees fit within the limits of the organic law of its creation and the State and Federal Constitutions” (272 U.S. at 389). These are not words suggested by “Dillon’s Rule” and other doctrines that see municipalities as entirely derivative of the state. Sutherland goes on to note that the Village of Euclid could control its own destiny: “Its governing authorities, presumably representing a majority of its inhabitants and voicing their will, have determined, not that industrial development shall cease at its boundaries, but that the course of such development shall proceed within definitely fixed lines” (id.). With the Court’s approval of zoning, Dillon’s view of municipalities was implicitly ousted in favor of Cooley’s.

Even before *Euclid*, zoning was recognized as a major change in the municipal landscape. It provided an additional reason for municipal independence from larger cities as well as a means of maintaining it. The new reason was that the value of existing homes could be enhanced by
appropriate zoning. Homeowners were becoming conscious of the fact that the attractiveness of their entire community, not just their own structures and those of their neighbors, made a difference in the value of their homes. The City Beautiful movement of the turn of the century reinforced this idea and helped make city planning respectable.

9-6 Developers Substituted Zoning for Covenants

The influence of planners and judicial decisions on zoning’s development is often overstated, though. Marc Weiss (1987, p. 28) points out that the developers who pioneered large-scale residential subdivisions in Southern California were the prime movers behind the U.S. Commerce Department’s promulgation of the Standard State Zoning Enabling Act in 1928. It was not a top-down process. It was motivated by the experience of developers, who found that voluntary covenants were insufficient to protect their property’s value from incompatible uses on their borders.

The large-scale developers embraced zoning as an alternative to covenants because it “would maximize aggregate land values, and stabilize values at each location, but would not maximize values everywhere” (Weiss 1987, p. 101). The California developers thus agreed with their Cleveland contemporaries, McMichael and Bingham (1923, p. 324), who concluded, “Home neighborhoods which had no protection from business encroachment have [after zoning was adopted] taken a sudden spurt and have built up rapidly as soon as it was apparent that only residences were to be allowed therein.” Far from regarding zoning as an intrusion on their property rights, developers at least initially saw public regulation as a mechanism to attract buyers eager to protect their investments.

Several modern scholars have cast doubt on the validity of the claims that zoning enhanced property values. They point to the viability of covenants elsewhere and the lack of evidence that nonresidential uses were harmful to residences at the time (Andrew Cappel 1991; McMillen and McDonald 1993). Although the aforementioned examples from Los Angeles and Cleveland suggest the opposite, it may still be true that 1920s New Haven (Cappel’s example) and Chicago (McMillen and McDonald’s) were not suffering much from unzoned development. My demurrer is that their evidence from the era just before zoning was established is suspect because it reflected the pre-motor vehicle era’s land use patterns. Rail transport of both people and goods was no great threat to residential values (as Cappel points out). Rail lines were controllable and
avoidable; everyone knew which side of the tracks was the “wrong” side. Zoning was a response to the radical uncertainty created for homeowners by the automobile, the truck, and the motor bus, which had no tracks to be on the right side of.

It is important to note my chain of causation. I do not argue that the invention of zoning by itself made the suburbs resistant to consolidation with the bigger city. Zoning was not thrust upon the suburbs. The first cause in my story is a transportation revolution that enabled separation of home from work by long distances. Homeownership became more widespread as more distant territory was opened up. After self-propelled buses and trucks came into widespread use, homeowners began to look for ways to protect their assets from commercial and multi-family neighbors. Zoning, invented in Germany a few decades earlier, provided a way to prevent or at least regulate neighborhood and community change that would affect their home values. Adoption of zoning after 1910 made the suburbs reluctant to consolidate with other cities.

This story fits, incidentally, with that of Edward Glaeser, Matthew Kahn, and Jordan Rappaport (2000), who argue that the location of the poor in central cities is the product of those cities having public transportation and, to a lesser extent, more services for the poor. The authors’ primary objective is to provide a more realistic account than that of conventional urban economics, which for years has supposed that the rich live in suburbs because the income elasticity of demand for housing exceeds that of commuting cost. Glaeser, Kahn, and Rappaport discount the idea that “exclusionary zoning” in the suburbs is the cause. But if my account of zoning’s origins can be credited, one important reason there is so little public transportation in the suburbs is because of land-use decisions about both transportation systems and housing density.

The layout of the transportation system was always a major concern of local politics (Monkkonen 1988, p. 162). The decision by Robert Moses to build suburban Long Island parkways with overpasses that inhibited the passage of buses and large trucks is only the most famous example of suburban resistance to public transportation. The failure of modern metropolitan passenger rail systems to live up to their promise of reducing automobile congestion is widely attributed to the low-density patterns of suburban development (Melvin Webber 1976). Many suburbs decline to rezone land to accommodate higher-density uses even when commuter rail facilities are built (Boarnet and Crane 1997).
9-7 Metropolitan Government Is an Old Idea

Teaford confirms the reluctance of suburbs to cede their independence in two later chapters of his book (1979, chaps 7 and 8). In lieu of consolidation, urban reformers, who were often residents of the higher-class suburbs, proposed metropolitan federations. These would empower the larger regional government to make some laws, especially about transportation, and leave local governments with the remaining powers. But the movement was not sufficiently popular to overcome localism, and, for the most part, only a few special purpose districts for water, sewer, and transportation were established on a metropolitan basis.

One of the major stumbling blocks to metropolitan government was who would do the zoning. Teaford’s most recent book, Post-Suburbia (1997), attends to the history of the maturing suburban economies from 1920 to 1990. Zoning plays an even greater part in this account, with suburbs in all parts of the country incorporating with the explicit desire to wrest land-use controls from counties and other forces of metropolitan consolidation. Summarizing the concerns of a Long Island suburb in the 1920s, Teaford writes, “Fearful of unregulated development that could lower property values, residents of Munsey Park were just as eager to adopt zoning ordinances to protect their half-acre plots as the estate owners of Lake Success or Centre Island were to preserve their one-hundred-acre manors” (1997, p. 16).

The fragmentation of metropolitan areas continued through the twentieth century, and it became especially active after World War II. By the 1950s and 1960s, “Academics, journalists, and reform minded politicians viewed the multitude of suburban governments as a national disgrace threatening the quality of metropolitan life” (Teaford 1997, p. 85). Yet little was done about it. Part of the reason was that by the 1960s much of the resistance to metropolitan government was coming from within the central cities, not just the suburbs. African-Americans, whose numbers and enfranchisement in big cities had grown steadily, were at the forefront. Blacks came to control the mayor’s office and city council in many central cities. They saw little advantage in merging with suburbs and again becoming a political minority (Michael Danielson 1976, p. 278).

9-8 The Lakewood Plan Promoted New Cities

In the balance of this chapter and in part of the next, I demonstrate that the underlying reason for municipal incorporations continues to be the desire by homeowners to become homevoters.
Suburban residents form small local governments and reject consolidation with larger units of governments because they want to be governed by a unit of government in which people like them — people who own their own homes and who have similar demands for local services — get to call the shots about local government. They want smaller rather than larger communities in order to preserve the rule of the median voter.

The modern suburban incorporations that have drawn the most scholarly attention were those of Southern California in the 1950s, especially in Los Angeles County. The fiscal arrangement that facilitated them is the widely known Lakewood Plan. Lakewood was an unincorporated place in Los Angeles County just north of the City of Long Beach. It was already substantially developed, and its municipal services had been provided by Los Angeles County and by special districts, a common arrangement in much of the West.

In the early 1950s the City of Long Beach sought to annex Lakewood as part of its plan to expand its territory so as to challenge the City of Los Angeles’ position as the commercial and industrial center of Southern California. Although Long Beach had a substantial tax base from its port and oil wells, Lakewood residents were not inclined to join. But the idea of incorporation was not attractive, either, because of the cost of providing urban services.

To solve this problem, Lakewood got Los Angeles County to agree to continue providing municipal services on a contractual basis. (The City and County of Los Angeles have entirely separate governments, though residents in the city also vote for county officials.) The new City of Lakewood would elect officials and hire a small city-hall staff; but police, fire, and other services would continue to be provided by Los Angeles County on a fee basis. Los Angeles County officials and managers agreed to this arrangement because the alternative was not for the County to continue running the unincorporated area, but to have Lakewood become annexed by Long Beach. Long Beach had its own departments to provide services, so Los Angeles County personnel would have that much less work, and Los Angeles County elected officials would have that much less power.

Lakewood voters accepted this plan in 1954, and it became the model for other unincorporated areas that had cityhood on their minds. Incorporation moved from a handcrafted affair to an assembly line process. Between 1954 and 1963, thirty new cities were formed in Los Angeles County under the Lakewood Plan.

210
9-9 Incorporators Sought Control of Taxes and Zoning

The Lakewood Plan attracted the attention of several political scientists. In a book that enthusiastically applied economic analysis to metropolitan organization, Robert Bish (1971) devoted part of a chapter to the Lakewood Plan. He specifically invoked the Tiebout model (among others) in concluding that the new incorporations were a good thing. Like-minded people were able to provide a more satisfactory level of services for themselves and keep their taxes down.

The most extensive analysis on the Lakewood Plan, and perhaps the only book-length work by a social scientist devoted exclusively to municipal incorporations, is Gary Miller’s Cities by Contract (1981). Miller comes to just about the same conclusion as Bish did ten years earlier: The Lakewood plan allowed like-minded people to provide a more satisfactory level of services for themselves and keep their taxes down. But Miller concludes that this was a bad thing. He regards these incorporations as little more than exercises at tax avoidance and a way to use land-use controls to shirk from metropolitan income redistribution.

Like Bish, Miller is a political scientist and is well versed in economics. He has read Tiebout and the related literature. He deploys the graphical tools of economics to frame his analysis. This background coupled with Miller’s fine-grained description of the political background of individual incorporations make his book a source to be reckoned with.

Miller’s analysis confirms the centrality of residential voters in establishing the new municipalities (1981, pp. 31-33). Although the entrepreneurs who got the incorporation movements rolling had a mixed bag of motives, they always had to get their proposals approved by the votes of cold-eyed residents. As Miller notes, plenty of incorporation votes failed because the majority of homeowners were unpersuaded of their merits.

The incorporations that succeeded had to show the resident homeowners that there was something to be gained. The something was lower taxes or better services and protection of their home values by locally controlled land-use regulations. The fear that motivated most of them was that County officials or those of an established municipality that annexed them would use their taxes to fund services they did not value or change land use in ways that would adversely affect the residential character of their neighborhoods. County officials were generally much more
eager to promote development than the residents of the immediate area (Miller 1981, p. 86; Richard Cion 1966).

9-10 Lakewood Cities Produced Tiebout Communities

Miller’s descriptions of other incorporations illustrate their ad hoc nature, the constant concern about tax base, and the use of zoning to manage the tax base and to protect residential homes. While Miller denies that the cities were formed to facilitate different preferences for public services, his evidence seems largely to the contrary. The cities he describes are really different in their character: Some are exclusively residential, others are business enclaves. One, Dairy Valley, was formed to protect dairy farmers from urban encroachment, but these same landowners later used rezonings to facilitate the highly profitable transformation of their enclave into the City of Cerritos (Miller 1981, p. 60).

Even if the Lakewood-era municipalities had no special identity upon incorporation, they seem to have acquired one in the subsequent years. Eric Heikkila (1996) used factor analysis of census tract characteristics to see if Los Angeles County municipalities were distinct from one another. If Miller’s characterization of them were true, then the characteristics of the population that would give rise to differences in demands for public services would be randomly distributed. Census tracts dominated by families with children, say, would be as likely to be within the same municipality as tracts dominated by households without children. Tracts with high-income people would be as likely to be in the same municipality as tracts with low-income people, if there were no Tiebout sorting.

Heikkila found that there was extensive Tiebout sorting in the 1990 census data. Census tracts with similar characteristics were much more likely to be found within the same municipality than in adjacent or nearby municipalities. The characteristics that accounted best for tract sorting were the scale of development (such as “small town”), ethnicity (“East Asian”), household type (“married with children”), and employment category. Thus even if Miller is correct in saying that municipalities formed under the Lakewood plan were not formed to satisfy different public service demands, after thirty years they certainly look as if they have distinctive characteristics that are likely to give rise to differences in demand.

As I have argued throughout this book, fragmentation of local governments causes property owners, who are mainly homeowners, to seek a mix of local services that maximizes the value of
their holdings. The financing of local services from the property tax is a key element of this efficiency-seeking activity. Homeowners will vote for property tax increases if the expenditures they finance will increase their home values. By the same token, they will avoid living in jurisdictions in which their property taxes are used to finance things they don’t want.

This process benefits central city residents as well as those in the suburbs. Competition from other places in which residents can select homes makes central city officials more responsive to their constituents. Examining the 49 largest U.S. cities in 1967-1982, Philip Grossman, Panayiotis Mavros, and Robert Wassmer found that “the greater the number of cities in a central city’s metropolitan statistical area and the greater the average population of suburban cities in the metropolitan area, the more technically efficient the central city is” (1999, p. 297). Their measure of technical efficiency was property value, with higher values implying more efficient government. Competition, it appears, is good for central cities even if their mayors don’t like it.

The evidence that Gary Miller offers from the Lakewood Plan’s history is consistent with this notion. He points out that many incorporations were undertaken to resist annexation by older cities whose expenditures were of little interest to the would-be residents. It was not mindless tax minimization. The existing cities whose annexation proposals they rejected often had a tax base considerably larger and a tax rate lower than the municipality they formed. Had they leaned back and accepted annexation, their tax payments would have gone down. Incorporationists did not so much object to paying taxes — not that anyone considers it a great honor. They wanted to pay taxes for services that enhanced the attractiveness of their major asset, their homes. It seems no more insidious than a desire to have the plumber do the work for which you pay her.

9-11 The Irony of Baldwin Park

Miller’s most valuable service is to describe the incorporation process. One group of new cities he classifies as “commercial incorporations,” in which the apparent motive was to grab as much taxable property as possible in order to keep taxes low. The frankly named cities of Commerce and Industry (that’s two cities, not one) are surely the apotheoses of this motive.

The City of Industry is especially bizarre, as it has never had more than about 600 residents but contains an enormous industrial park situated on either side of the Southern Pacific Railroad tracks. In fact, to meet the minimum population for incorporation, Industry’s organizer, a municipal lawyer named Graham Ritchie, had to include a nearby mental hospital so the patients
could be counted among the residents. I visited the city in February of 1999, and it still is strange to see. Miles of large warehouse-style building and almost no houses in sight except those across a boulevard in adjacent municipalities. Local roads are nicely maintained, and the city has an exquisitely manicured historic building, but the place seems lifeless. It’s as if invisible extraterrestrials ran the local government.

Other efforts to incorporate around a large commercial tax base in the 1950s were not so successful, according to Miller. One that caught my eye was the story of Baldwin Park, which Miller had curiously categorized under “commercial incorporations,” as were Commerce and Industry. Baldwin Park is the city whose school district served as the poster child of the Serrano litigation, as I described in section 5-1. It was described by the plaintiffs as the archetypal “property-poor” district and paired unfavorably with Beverly Hills. Yet Miller categorized it as a tax-base-grabbing “commercial incorporation,” which should have made it “property rich.” What had gone wrong?

The area that became Baldwin Park was near several gravel pits owned by Consolidated Rock Company. Gravel trucks streamed through Baldwin Park residential neighborhoods, and a group of homeowners had sought to incorporate so as to ban the trucks. (Los Angeles County officials were not sympathetic to efforts to hobble the quarry’s operations.) Consolidated Rock funded a group that opposed Baldwin Park’s incorporation, and the incorporation failed.

After a time, however, a local water district official convinced Consolidated Rock that incorporation of Baldwin Park, followed by annexation of their gravel pits, would actually be in the company’s interest. With the gravel pits part of its tax base, the official reasoned, Baldwin Park residents would see that the property taxes paid by the company were worth the nuisance from the trucks (Miller 1981, p. 55). Nothing like a clear opportunity cost to stay the hand of unreasonable regulation.

Following this line, Baldwin Park incorporated around its already developed residential area. It became the second Lakewood Plan city, incorporating in 1956. It then turned its attention to annexing the nearby gravel pits, as Consolidated Rock had wanted, and to the nearby industrial area along the Southern Pacific tracks. The latter area was to become the City of Industry, the richest tax base in the area. It was Baldwin Park’s for the taking. Had it succeeded, Baldwin
Park’s tax base might have exceeded that of Beverly Hills, assuming it had been as successful in attracting industry as Industry later was.

But Baldwin Park’s plans failed. I quote Miller’s description of how things fell apart so that I cannot be accused of making this up:

“To the dismay of local leaders such as Holmes [the water company official who brokered the Consolidated Rock deal], however, the newly elected city council did not make annexation of the vacant tax base to the south its first order of business. Instead, the city council insisted on first attending to the issue of developing a municipal zoning ordinance. While the reasons for this were not clear at first, they became evident within two months of incorporation. Within that length of time, three city councilmen were indicted for taking bribes to corrupt the zoning ordinance to which they had insisted on giving priority. As it turned out, two of the councilmen had asked for bribes of $200 each from the promoter of a local massage parlor. The promoter, evidently guessing from the small size of the bribes requested that he was dealing with green, untrustworthy officials, decided to report the bribes before one of them did. Before the dust was settled from the case, the tax base to the south had incorporated as Industry, and Consolidated Rock Company had definitely eliminated the possibility of annexation to Baldwin Park.”

Here then is how Baldwin Park became the epitome of the property-poor district in the Serrano litigation. It was not an “accident of geography,” as the advocates of court-ordered school reform often put it. The “accident” was of human volition, the result of human frailties on the part of the city’s founders. Had its public officials been more honest, Baldwin Park might have been numbered among the property-rich districts and been spared its notoriety as a paragon of education failure.

On my visit to Industry in February, 1999, I also took a swing through Baldwin Park. It is not in a state of collapse. It’s not East Saint Louis, Illinois, which I visited in the summer of 1999 and which is the most alarmingly desolate city I have ever laid eyes on. (By coincidence, I was there on the same day that President Clinton visited as part of a national campaign to call attention to poor areas. I noticed that even the poorest have their pride: East Saint Louis was busily sweeping its streets in preparation for its day in the national spotlight.) No, Baldwin Park was a lower-income area with low-rise apartment buildings and modest single-family homes on
small lots. There were few signs of physical deterioration, and the streets did not seem forbidding. The new community center I passed at dusk had an outdoor basketball game going and, were I a few years younger and without promises to keep, I’d have been inclined to stop and get into a game.

In case my impressionistic views missed something important, I checked the census data for housing quality and found that Baldwin Park in 1970 had no more in the deteriorated category (“lacking some plumbing”) than the average for Los Angeles County. (Later census data did not include this category.) Its owner-occupancy rate was about the same as the state average, and, while incomes are low compared to its neighbors, its poverty rate is no greater than that of the state.

9-12 City of Industry Bred LAFCO

It seems likely, though not certain, that the well being of the Los Angeles region would have been higher had Baldwin Park managed to annex the prime industrial area that became City of Industry. Baldwin Park’s residents would have had lower taxes, better schools and better municipal services. Of course, they would have had to pay more for their houses as a result — Thomas Dee (2000) inferred this from a national sample — and some current residents would likely not have been able to afford to live there.

There might have been less industrial development in the area had Baldwin Park done the zoning and taxing of the industrial area. The present City of Industry advertises its low taxes as a lure along with its pro-business services and protective (in this case, anti-residential) zoning. The expanded Baldwin Park would have had less of those attractions. But probably not much less. The location itself, next to a railroad, near major freeways, and accessible to markets and labor force, accounts for much of Industry’s attraction. The success of the City of Commerce in attracting businesses to a city run largely by lower-income residents of Hispanic heritage suggests that Baldwin Park could have done the same (Boone and Modarres 1999).

Oddities such as City of Industry are the evolutionary sports that crop up in the free-wheeling, bottom-up municipal incorporation process that the Lakewood Plan epitomized. Miller’s other successful “commercial incorporations” do not amount to a large fraction of the region’s nonresidential tax base, so it seems wrong to judge the incorporation process by such peculiarities. At any rate, the Lakewood Plan era came to an end in 1963. The state legislature
established the Local Agency Formation Commission to supervise the creation of new cities and annexation activities by existing cities. At least eleven other states have formed similar boards (ACIR 1992), and their effect has been to retard municipal growth from its 1950s heyday (Teaford 1997, p. 97). Incorporations in California still occur, but the era of tiny, idiosyncratic municipalities has largely passed.

LAFCO, as California’s agency is mirthlessly known, is a county-based agency with two city members and two county members and a fifth chosen by the other four. It appears to operate as an uneasy cartel to deter competition in the provision of municipal services. After its establishment, existing cities found it easier to annex adjacent territory, because they did not have to worry that the territory’s residents would incorporate. At least one serious study found that LAFCO resulted in more costly local government in California when compared to other states that did not adopt a LAFCO-like structure (Martin and Wagner 1978).

9-13 Conclusion: Exuberant Incorporations

This chapter has advanced an historical thesis. The rise of zoning and the end of municipal consolidation in the 1910-1930 era can be explained by the homevoter hypothesis. Automobiles, buses and trucks allowed metropolitan decentralization. As homes became the locus of most family’s net worth, residents seized the institutions of local government and used zoning to protect single-family homes from footloose developers of apartments and commercial uses. In doing so, the new homevoters seemed to have appreciated that smaller units of government were more likely to protect their interests. Metropolitan fragmentation was a logical result of homeowner’s desire to protect their otherwise uninsurable assets.

In the wake of the local political shift to homeowners, the city-suburb consolidation movement fell by the wayside. Even modest manifestations of regionalism have foundered on the question of local control of land use. Instead, metropolitan governance started to go the opposite direction. The bottom-up incorporation process of most states engendered a proliferation of local governments. The Los Angeles Lakewood plan was only the most famous of the spurts of incorporations. Boundary review boards have retarded new incorporations since then, but they have not put a stop to them, as the next chapter will demonstrate.