Who Holds Responsibility for Infrastructure?

New Regional Governments or Cities & Their Partners

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"In a period of flow, people have the opportunity
to remold themselves and their institutions."

-Lewis Mumford, 1925

The inaugural event of the Keston Institute for Infrastructure took place on November 13, 2003, and consisted of a debate on the subject of regional governance. At issue was the appropriate form of governance for the provision of infrastructure: should it be local or regional? Nick Bollman of the California Center for Regional Leadership and Raphael W. Bostic of the University of Southern California argued the case in favor of regional governance; Ken Farfsing, City Manager of Signal Hill, California joined with Peter Gordon of USC to make the argument against. The conversation was wide-ranging, covering several major issues in detail. While there was significant disagreement between the two sides over its implementation and scope of authority, there was a surprising agreement on the essential need for regional governance.

First, the participants disagreed on the question of whether or not the current system works - whether society has been well-served by investment decisions made by local governments and *ad hoc* coalitions of local governments. Bollman and Bostic argued that as it stands now, regional interests are only sometimes served by the collaboration of localities, and not often enough. They pointed to the failure to keep the El Toro airfield functioning and expand the region's air capacity as a failure to achieve a socially optimal outcome. Farfsing and Gordon, on the other hand, suggested that the current system works relatively well - especially in contrast to some examples of actual regional governments. In particular, they used the Alameda Corridor East authority and the Metro Gold Line as examples of successful coalition building among local governments. They further used the migration of bus lines from MTA to local control as an example of markets replacing top-down planning with flexible, cost-effective programs.

These differences over current levels of performance led to differences over the capacity of regional government to achieve socially optimal choices, especially those regarding large investments such as infrastructure. Farfsing and Gordon suggested that "heavy-handed, top-down" government projects tend to fail. They proposed instead that competition among cities and governments was a better solution - trying to "cure" the system, through another (even well-intended) layer of government, would only make things worse. Bollman and Bostic, on the other hand, questioned the alignment of regional and local interests, suggesting that left to their own devices, localities tended to act in their own interests, ignoring the question of what might be best for society as a whole. They argued that making local cooperation routine would require conditions that are rarely met: leadership able to understand the impact of local choices in a regional context, a media able to convey the importance of the region to the local citizenry, and a public willing to become engaged in the dialogue.

What was most interesting was the apparent consensus regarding the need for regional *governance*. The common thread running between both teams was the recognition that governments must somehow be organized at the level of the problems being addressed. That is, for example, if cleaning the Los Angeles river is to become a priority for the region, policies must be enacted that take into account the interests of all the municipalities through which the river runs. Without unanimous participation, the actions of the non-coalition members can undo the coalition. During the debate, then, the contentious issue was not whether or not regional *governance* was a valid concept. Rather, the sides differed most clearly on the it form that governance ought to take: their mandate, scope of activity, longevity, etc.

The recognition of the need for regional governance is an essential starting point for future discussion. Given the infrastructure needs of California, and the nation as a whole, the details will have to be addressed sooner rather than later.

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Gordon/Farfsing: Against

How and Why to Avoid Top-Down Regional Infrastructure Planning

by

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There are many reasons to view the prospect of regional government with concern. In what follows, we will focus on actual experience and let the principles follow from the lessons. Interesting lessons are available from very close to home in the Los Angeles area, and in other parts of the United States. These experiments in regional government consistently face the same problems.

Our theme is the old one that the proposed utopian "best" is usually the enemy of the available "good." We must always be sure that the proposed cure is not worse than the disease. As physicians are taught: First, do no harm. Planners and policy makers should be no less circumspect.

We suggest that the way infrastructure is currently provided is better than the new top-down method proposed by regionalism's defenders. What is now practiced is worth examining. It is essentially a benign, open-ended, bottom-up collaborative regionalism that allows flexible *ad hoc* joint powers arrangements. Selectivity in seeking win-win partnerships that fit the moment and the problem at hand is, thereby, possible. Given the proposed alternative, it is also desirable. We achieve the prospect of economic cooperation and integration, but without political integration. To get more of this, we suggest that it is best for the State to eliminate any remaining barriers to spontaneous cooperation. Federal and state agencies should see themselves as creative and flexible partners, assisting local joint powers

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The Argument for Regional Governance

by

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Much has been made about the value of decision-making at the local level, which allows local knowledge, values, and interests to exert strong influence over the decisions policy-makers ultimately reach. Unfortunately, while local decision-making can be valuable for a wide range of policy decisions, it is not the best level at which to make decisions on investments in infrastructure, which usually offer benefits beyond a local jurisdiction. For infrastructure, a locality will value the investment far less than the broader society, and as a result will choose to invest less than would be socially ideal. We'll use a stylized example to make this point plain.

Consider the homeowner who, because he has no plans on moving, invests very little in the physical appearance of his house. This homeowner's decision, which is optimal for him given his preferences and interests, adversely affects all his neighbors. They would rather see the neighbor invest more in his house to improve the overall appearance of the neighborhood, which would help increase the value of their homes. In this case, the preferred local decision, that of the neighbor, is not best decision when the broader community is considered.

This example highlights the key issues in the current debate. In the example, if we substitute "homeowner" with "locality" and "physical appearance of his house" with "freeway," it becomes clear that local authorities in arranging and obtaining support. This is preferred to their role as gatekeepers, one that they adopt much too often.

Three Southern California Cases

First, consider the experience in Los Angeles. Three recent local episodes highlight the failures of top-down planning in Southern California.

The Devolution of the LA County MTA

The Los Angeles County Metropolitan Transit Authority (MTA) has been slowly devolving over the last fifteen years, allowing an increasing number of local transit options. This has been a direct response to the failure of top-heavy transit planning, which has resulted in the MTA being the most expensive bus system in Southern California, now governed by a Consent Decree.

The fact that the region was not crippled by the MTA mechanics' strike points to the increasing irrelevance of the MTA. Over 43 public agencies now provide fixed-route transit in the MTA's service area, substantially increasing the flexibility of offerings.

A good example of the process in question can be clearly seen in the formation of the Foothill Transit Authority. The MTA's predecessor, the Southern California RTD (which also served the entire area of Los Angeles County) announced service cuts and fare increases in 1988. The San Gabriel Valley had long been underserved by RTD. Local leaders were concerned and motivated to act.

Foothill Transit was born when RTD agreed to allow local groups to operate two RTD lines in 1988. Fifteen years later, the agency serves 32 fixed-route lines, and 17-million annual passenger boardings.

Foothill Transit's most unique feature is that it has no employees. Both management and operations are provided by contractors. A five-member Board of Directors represents the areas served, 21 cities and the area's unincorporated regions. A three-year evaluation by auditors Ernst and Young revealed that Foothill Transit was demonstrably cost-effective, boasting a 43 percent operating cost savings over RTD/MTA.

decision-making can seriously impede reaching good decisions for infrastructure investment. There are many examples in our region where a reliance on local decision-making has led to less investment than would serve the region best. For example, expanding airport capacity and locating new airports are two of the most important regional challenges facing southern California, with important implications for the economy and overall quality of life. In recent years the issue has been approached on a strictly sub-regional basis, and therefore solutions such as the decision to convert the El Toro airbase to non-airport uses, as contentious as they have been even at that level, still leave us grossly underinvested in terms of what is required to ensure sufficient movement of people and cargo in the greater region. Broad regional collaboration to find a satisfactory solution has not been the expectation of local government officials and the constellation of interests that engage in these issues at each of the sub-regional airports in question.

The same can be said for highway and other transportation choices. The traffic congestion on the 710 and the 101 are not matters of interest only to the neighbors of these freeways, or even of those cars and trucks, drivers and businesses, that use them on a regular basis. They are important to the economy and quality of life of the entire southern California region. But there has not been the expectation among local officials, either in the most directly impacted jurisdictions, nor in those more distant but nevertheless affected communities, to seek a set of solutions and policy choices that involve trade-offs and burden-sharing among all the affected jurisdictions, not just those in the immediate surround, that would be sufficient to overcome policy gridlock. Indeed, without adequate all-region solutions, southern California may lose air travel and goods movement as key competitive edges over other regions around the world.

Our view is that the correct approach is to allow all who will be affected by the

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This success has been emulated by 43 local transit agencies serving all areas of Los Angeles County, including Antelope Valley, Burbank, Carson, Culver City, LADOT/Dash, DowneyLINK, El Monte, Gardena Municipal Bus Lines, Glendale Beeline, Long Beach Transit, Montebello, Norwalk Transit, Pasadena Area Rapid Transit System, Santa Clarita, Santa Monica Big Blue Bus and Torrance Transit.

In addition, dozens of cities in LA County now operate smaller internal transit loop services. There are over 80 dial-a-ride services, and over 350 private organizations provide paratransit services.

Private and municipal operators have proven so successful that MTA continues to turn over service lines. MTA contracted out 23 lines, including the Red Line Special, during the recent transit strike.

The American Association of Transit Agencies recently reported the following cost-efficiencies expressed in dollars per vehicle-hour for a sampling of these agencies (2001 data):

Culver City - $67.5
La Mirada - $68.4
Long Beach - $71.1
Montebello - $50.9
Santa Monica - $67.6

MTA - $98.8

Not even the MTA contests the fact that these local transit agencies deliver reliable services that are responsive to local needs—and they do so in a cost-effective way.

The Disintegration of SCAG and the Rise of the COGs

Consider a second local example. The Southern California Association of Governments (SCAG) has been slowly disintegrating as a regional planning agency since 1995, largely as a result of the creation of local Council of Governments (COGs). In this case, COGs are smaller subgroupings of cities within SCAG, with their own governing boards, budgets, issues, projects and construction authorities.

In all, SCAG created several COGs

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potential infrastructure investment to have a hand in the decision. In the example above, the neighbors would have some say in how much investment should be made in the homeowner's house. The level of investment would then be commensurate with the *total* value derived from the investment. As an important aside, in this approach, if the collective decision called for more investment than the homeowner would have done on his own, then the neighbors may be called on to provide some financial support for the decision.

There are many forms that this governance structure and process might take. We would offer three models to consider: first, the multipurpose, consolidated regional government model; second, the free market, competitive-cooperative model; and third, the collaborative regional governance model.

Our opponents have argued fervently that the multipurpose, consolidated regional government model is no guarantor of success, and in fact, because of the nature of bureaucracies, may put decision-making even further out of reach of citizens than local government. Regional government, they argue, would be, at the least, unresponsive to the rich texture of local and community interests and concerns, and at the worst, would impose "top-down" decisions on local communities that reflect some a priori ideology or vision or some set of "expert" or political interests.

It may surprise our opponents to learn that we agree, in part. Under the right historical and political circumstances, as was the case years ago in Portland, Oregon; Minneapolis, Minnesota and elsewhere, such a model can succeed. However, the distribution of southern California's population, economic activity and political power across many separate "centers," as well as a recognition of the contemporary view that planning, funding and operating various forms of infrastructure requires such non-bureaucratic flexibility both suggest that this model might not be best for this region.

Before discussing our preferred model, we should present our view of the

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throughout the five-county territory. Consider the San Gabriel Valley COG, to make the point that smaller, more flexible forms of government are creating "win-win" scenarios to improve the quality of life of people in the region.

The San Gabriel Valley COG consists of 37 cities, stretching the entire length of the Valley from Pasadena to Pomona. Their most successful infrastructure project has been the creation of the Alameda Corridor East Construction Authority (ACE).

ACE was formed by local communities in 1998 as a direct response to the transportation problems created by the growth of the Twin Ports of Los Angeles and Long Beach and the forecast 160 percent increase in rail container shipments by 2020.

The Valley has 42 major street/rail grade crossings along a 35-mile corridor, where local vehicular traffic can be tied up for 15- minute intervals, for many blocks, several times a day, while 100-car trains travel at 25 MPH. The resulting traffic delays are difficult and create life safety issues because paramedics, fire crews and police are often forced to wait at rail crossings during emergencies.

ACE was the brainchild of Valley COG leaders who discovered that SCAG, MTA and the railroads were not planning for the forecasted increase in rail traffic. The San Gabriel Valley COG was successful in obtaining $910 million in federal funds to mitigate the effects of increased rail traffic crossing the Valley.

ACE will construct 20 grade separations by 2007 along the corridor. There is little doubt that this important project would not have been proposed, funded or built by SCAG or MTA: the project was not to be found in the Regional Transportation Plan and funding was actively opposed by MTA.

Joint Powers & Construction Authorities – Bottom-Up, Collaborative, Flexible Solutions – Creating Partnerships and Cooperation

The era of regional agencies being in charge of major construction projects ended in Los Angeles with two signpost events in the 1990s: the gigantic cost overruns of the MTA's Red Line Subway, and Caltrans' declaration that

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current circumstance – the free market, competitive-cooperative model – and how it can and should be improved to accommodate the preferred model. Under current law and practice, local governments operate on a competitive-cooperative system, which allows them to choose to compete, when it is in their interests, such as chasing retail operations to secure the sales tax revenue which in California since Proposition 13 has become so important to supporting the operations of local government. This is usually unhealthy competition. On the other hand, cities that work hard to improve their quality of life, through good planning and design decisions and efficient delivery of government services, are competing to keep or attract businesses and residents and workers who make locational decisions on that ground. This is healthy competition. Unfortunately, California's underlying policy framework, especially our state-local finance system, fosters unhealthy competition.

Moreover, even where cities choose to cooperate, often they do so against the policy grain, because they value cooperation and its consequences, not because state policy or regional decision-making encourages this behavior. If we want more such multi-jurisdictional cooperation, we need to create the legal forms (beyond joint powers authorities) and fiscal rewards that will make such cooperation routine rather than exceptional. Finally, we are not very good at capturing the important lessons learned through free market competition and cooperation. To some extent regional councils of government enable the sharing of best practices, but often they don't have the resources to do so in an optimal manner. State associations, such as the League of California Cities attempt to do so, but often can only skim the surface. And the academic community, until recently, hasn't paid sufficient attention to studying the effectiveness of local government and generating new ideas for its improvement, nor in training local elected and administrative officials to best practices.

Our preferred vision for

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the region's freeway system was completed with the opening of the I-105.

These agencies have now removed themselves from the regional project business and are more interested in being funding partners than master builders. The response has been the creation of dozens of joint powers and construction authorities by local governments and the private sector.

Consider two of them.

Alameda Corridor Transportation Authority

The Alameda Corridor Authority (ACTA) was formed in 1991. The $2.4 billion project was envisioned to link the area's Twin Ports with the central rail yards east of downtown, thus creating a train expressway.

The project was a response to the effects of port growth on local roadways and freeways. It came from the cities in the corridor and the ports, a vision at the local level, not found in any of the regional transportation plans. MTA became a partial funding partner after recognizing the significance of the ports and the impact of freight/goods movement on the regional and national economy.

ACTA is managed privately. It opened on time and on budget in April of 2002. Funding was through a blend of public and private sources, including $1.6 billion in bonds serviced by container fees paid by the railroads.

ACTA continues to manage and design regional projects, including the PCH grade separations, the I-710 Corridor Study (with the Gateway Cities Council of Governments), the elevated truck expressway between Terminal Island and Alameda Street (Caltrans Project) and the Anaheim Pump Station (under contract with LA County Department of Public Works).

The second auspicious example of cities spontaneously cooperating to deal with regional issues involves the area's latest light-rail line.

Gold Line Construction Authority

MTA began planning for the Gold Line (once called the Blue Line but that line runs south to Long Beach) light-rail project in 1980, after the passage of Proposition A. The route was planned

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implementing this is via collaborative regional governance, which is one of the principal concepts underlying the report of the California Speaker's Commission on Regionalism. The fundamental idea is that local governments would routinely collaborate with each other in planning, investing, sometimes operating, monitoring and improving capital and operating systems, including infrastructure. Though this would remain a voluntary arrangement, it is built on a set of expectations and rewards such that it would become the first choice whenever an issue or policy by its nature would be better developed and implemented on a multi-jurisdictional basis.

This approach has been taken successfully in many places across the country. For example, the well-regarded mass transit system in the Washington, DC area is overseen by the Metropolitan Transportation Authority, which includes representatives from the District of Columbia, Arlington and Alexandria in Virginia, and Montgomery and Prince Georges County in Maryland. Locally, the regional collaborative approach has also been used with success. For example, Southland jurisdictions located along the Los Angeles River have joined together to take a collective approach to keeping the River clean and managing its shores.

As these examples demonstrate, a regional governance structure need not result in gridlock and "top down" decision-making that disregards local interests. At the same time, collaborative regional governance gives voice to all those who have an interest in the decision, rather than limiting input only to those who live closest to the site. Collaborative regional government is thus the best of both worlds and represents our finest hope for sufficient investment in infrastructure in the months and years to come.

There are many ways in which this kind of collaboration could and should become routine. One way certainly is to ensure that there are effective venues where all parties in a multi-jurisdictional from Los Angeles to Pasadena, along the former Santa Fe Railroad route. MTA purchased the right-of-way in 1994 and began project design. However, budget problems at MTA derailed the project and MTA suspended all design activities. The project shutdown coincided with the MTA Board entering into a Federal Consent Decree and being obliged to shift Proposition A and C funds to bus operations.

The Cities of Los Angeles, Pasadena and South Pasadena formed the Gold Line Construction Authority in 1999, with special legislation, SB 1847. They began the effort of securing $1.3 billion in federal, state and local funds to complete the project. The effort was at first opposed by the MTA. But the Construction Authority was successful in obtaining funds and began construction in 2000. The project was completed in 2003 and turned over to the MTA for operation.

The project has attracted the attention of other local cities. Some of them to the east of Pasadena are expanding the construction authority to extend the transit project. The anticipated costs of the eastward extension are $1.9 billion, with construction start-up in 2006.

These examples are from the real world. The devolution of MTA into many more efficient local transit providers, the disintegration of SCAG into more effective local Councils of Governments and the formation of dozens of joint powers and construction authorities are the logical responses of the region's residents and businesses to unresponsive, inflexible and costly regional government.

There is nothing in these experiences to indicate that new layers of regional government will be able to address the many demands of the region's population in a flexible, responsive, cost-effective and timely manner. Local agencies like COGs, ACTA, ACE, the Blue Line Construction Authority and Foothill Transit will continue to be auspicious choices for the region as we move forward, working to improve quality of life in the area as a whole.

Beyond Southern California

Other recent regionalism experiences in the U.S. corroborate the lessons learned in Los

collaboration can come together. Councils of government and municipal planning organizations (MPOs) are one setting, but thus far their own approaches to issues have tended to be too disaggregated to be of optimal help (so that, for example, transportation, land use and economic development policy choices are made in isolation from each other). The current regional visioning project, called COMPASS, of the Southern California Association of Governments is an attempt to break through those silos, at the level of imagination and meta-planning. But it remains to be seen whether the COMPASS growth vision will be implemented through actual policy choices made by regional agencies and local governments.

Second, we need to train planners and policymakers to readily understand local policy choices in a broad regional context. Third, we need the interest and support of the media that cover these policy choices, because that is where the general public gets most of its information on public policy decisions (and too little of that information, at that). And, finally and perhaps most importantly, we need a general public that is sufficiently informed about the interplay among local and regional policies that they will be willing to support the often difficult region-sensitive decisions made by local elected officials and be willing to support them at the ballot box as well as in relation to the approval of individual projects.

Achieving collaborative regional governance will require a strong state government role. While there are dozens of policy reforms, many of which were outlined by the Speaker's Commission, perhaps the most important role for the state government will be to play a much more active and positive role in strengthening the capacity of local governments to make sound long-term decisions. We would assert that regional collaboration is weakened by the weakness of local government, and that the stronger and more confident we can make local government, the more likely we are to see collaboration, rather than isolation and

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Angeles. Consider Metro-Dade, Florida, perhaps the oldest large-scale U.S. regional government, dating from 1957. What is there to show? The historian Fred Siegel quotes one resident: "It's a lot cheaper to buy just one government." At the same time, many local groups feel helpless in the face of the large governmental unit. One reaction has been secession movements, such as Kendall, Fla. in 1999 – just as we recently experienced in LA (and other places) when large City or County governments are seen as remote and ineffectual – or worse. (In Essex County, NJ, secession movements are motivated by perceived corruption in county government.)

In Miami, billions were spent on rail transit but overall transit use between 1990 and 2000 actually *fell*. In the 1990s, Miami's suburbs continued to grow much faster than its central city, as fast as the suburbs of the other Sunbelt cities. Some of the primary goals of metro planners—such as getting people out of their cars and reversing sprawl—proved impossible.

A more recent experience, in Portland, Oregon—probably planners' favorite example of regional planning—also helps to make our case. There is not even a discernible efficiency- equity trade-off; rather there are less of both.

The Portland area's population growth has leapfrogged the region's official Growth Boundary. It has been fastest in Clark county, which is across the state boundary and, therefore, beyond the Growth-Boundary.

It is no surprise, then, that average metro-area commuting times (1990-2000) are up, just as they are throughout the U.S.—12.3% vs. 13.8%—but more than in many places, such as just 5% in LA.

The Portland metro area gained 23,000 transit commuters in the 1990s (moving to 5.71% of all commuters from 5.42%, but still below 1980 levels). Taxpayers' capital cost was $1.32 billion – more than $57,000 per new commuter; taxpayers could have given each new commuter a new Mercedes-Benz luxury sedan instead. In fact, most of the money was spent on rail, which only accounts for 30% of the new commuters. So, $190,000 per new commuter is a more accurate figure. These commuters would have been better served by being offered a choice

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unhealthy competition among local governments. In addition, fundamental reform of the state-local fiscal structure is needed to protect the local revenue base. Without a reliable revenue base, it is very difficult for local governments to take the risks inherent in the trade-offs engendered by regional collaboration. This is especially the case with respect to the risk that in hard times state government will grab the local share of property taxes to balance its own budget, which we saw in the early 90's and we are about to see again.

We believe that we have made a strong case for what we call the New Regionalism. It is founded on the simple but compelling idea that for some challenges, especially infrastructure planning and investment, multi-jurisdictional policies and programs and funding are essential. The current competitive-cooperative model is insufficient to achieve the routine and reliable collaboration among local governments that is required to meet those challenges. Nor should we leap willy-nilly into the "straw man" option offered by our opponents, the consolidated, multi-purpose regional government. Rather, we should pursue collaborative regional governance, a new form of decision-making that would become routine among local governments and regional agencies, and supported across the board by the state government.

A final thought. The California Center for Regional Leadership works with a network of twenty-one regional civic and business organizations across the state of California. We believe strongly that this matter of collaborative regional governance is too important to be left to government alone. Ideally, this governance is based on full partnership among the public, business and community sectors. Certainly the kind of reforms that will be required, whether at the local or state level, will require the understanding, support, and sometimes advocacy of the civic sector. In this mix, the role of the university, as a source of practicable new ideas, is essential. It is altogether fitting therefore that this debate

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from an assortment of chauffeured limousines instead of new rail construction.

Portland also faced a serious housing shortage in the 1990s. Affordability fell by more than in any other major metro area, while it was increasing in fast-growing Atlanta, Phoenix, Las Vegas and Raleigh-Durham. When the price of housing accelerates as fast as it has in Portland, there are windfall gains to some, but these accrue to the upper quintiles of the income distribution.

Portland now sprawls more than LA. The population density of its urbanized area is less than one-half LA's. Some recent research shows that Portland has been suburbanizing faster than have comparable metro areas. Surely the champions of regionalism would not point to these outcomes with pride.

The Lessons

What does this brief look at three cities' experience suggest? Six lessons come to mind.

(1) Successful coordination and planning need not be top down. Most, in fact, happen from the bottom, up. Considering "public" infrastructure, if we each owned one street in a neighborhood (and leased out parcels on that street, much as owners of shopping malls do), would anyone of us post street signs in obscure hieroglyphics? No. All would quickly see the value of coordinating signals with the owners of the other streets. Managers of complementary networks, including private railroads and all manner of shipping, as well as alliances that connect separate ATM systems and mobile-phone networks have been spontaneously coordinating their efforts for many years for the simple reason that it is in their best interest to do so.

The power of markets comes from the fact that they do, in fact, coordinate uncountable numbers of independent decisions amazingly well all the time. There is a profound lesson here that cannot be ignored when the discussion shifts to how governments should act.

(2). Governance and planning come in many flavors. What do we know about top-down governance vs. bottom-up governance? People, voting with their feet, have repeatedly demonstrated: Large-scale escapes from centrally

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and this topic should have been the inaugural activity of the Keston Infrastructure Institute. Much is expected from the Institute, and if the thoughtful organization of this event is any indication, much will be accomplished. We both congratulate Mike Keston and Julie Bornstein for the work you have done, and will do, to improve infrastructure planning and investment in California. And we thank you deeply for the opportunity to contribute to the inaugural launch of the Institute.

planned economies; large-scale moves to the suburbs, smaller cities and exurbs; large-scale migration into private communities.

The consistent failures of top-down planning have been famously explained in two ways. First, sheer complexity (the Mises-Hayek "knowledge problem"): people at the top have no way of knowing enough to micro-manage; if they did have the data, they would be overwhelmed by it. Second, the "public-choice" view: politicization is not necessarily benign or guided by notions of a "public good". Low voter turnouts corroborate that idea that the romantic view of politics is no longer taken seriously by most people.

(3). Laments over "Balkanization" are, in our view, more rhetorical than anything. Competition makes good sense, whether in the provision of "public" or "private" services. Variety, quality and cost savings are associated with competition, not with cartelization.

One consequence of the recent migrations away from large cities into smaller suburban and exurban (and often private) jurisdictions is there are now many more units of local governance. In California, across counties, there are no statistical links between the number of local governments per capita and successful outcomes – as measured, say, by per capita income growth – or the number of governments and per capita income growth. In addition, recent research shows that California is not especially "Balkanized", nor has Prop. 13 made much of a difference.

*(4)*Are strong suburbs that way because they have weakened their central cities? Or, is there a positive-sum game instead? It is always better to have strong, rather than weak, trading partners. Among the top-twenty US metro areas, the correlation between 1990-2000 central city and suburban population growth was 0.77, positive and quite significant.

(5) Will there be cost savings from a new layer of governance? Are there economies of scale? Or, are there mostly diseconomies of scale? The evidence points to the latter. Bureaucracy is expensive in many ways. Also, is this even a good question? Do we not routinely balance extra costs against extra benefits? How plausible is cost minimization as a guiding principle? Simple introspection suggests that it almost never is.

(6). What is metro area "success"? How do we define and measure it? How do we achieve it? Are shortcomings the result of poor policies, poor circumstances, poor leadership – or poor jurisdictional organization? We suggest that the question before us focuses on the latter because it seems the easiest to fix. It appears to us that we are thereby avoiding the really tough issues facing local governments.

Conclusions

Counterpoints to our arguments are typically based on a dated theory of "market failure," including inevitable externalities and the like. Yet, thirty-five years ago, economist Harold Demsetz suggested that market-failure theory is itself a failure: it looks at departures from ideal markets, which do not exist outside of textbooks. It suggests cures that are often worse than the disease.

We have, instead, provided examples of real performances and real institutions. We suggest that this is the way to approach the question presented here. We prefer more, not less, of bottom-up planning and coordination. In California, it may be best to amend State law to allow local majority (or supermajority) votes to achieve secession – unlike the recent Los Angeles case where the will of San Fernando voters was overruled by the city-wide vote. More competition is always preferred to less.

Retaining and improving the quality of life in Southern California rests on the ability of local governments to find flexible, open-ended solutions to the inevitable infrastructure challenges facing the region. Existing regional agencies will have to move beyond traditional command-and-control modalities and become creative partners. Another layer of regional government will only add an ineffective player to the mix.

We suggest that our examples and arguments support the negative position on the question of whether there ought to be top-down regional governance to look after regional infrastructure.