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SOME ORGANIZATIONAL INFLUENCES ON URBAN RENEWAL DECISIONS*

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Prescribing "corrective actions" for "market failures" is not a new activity for economists. Such corrective actions usually amount to the replacement of a market mechanism by some other mechanism such as a governmental agency charged with certain powers and responsibilities. Curiously enough, we know less about the behavior of these alternative institutional arrangements than we do about market institutions. It is hoped that this paper will add some insights into part of the workings of one such mechanism: the urban renewal program.

Parts of the behavior of two separate political bodies within the urban renewal institutional framework will be examined. The first will be that of the federal Urban Renewal Administration (URA). The second will be that of the local public agency (LPA) which represents the community. With respect to URA it will be argued that the particular institutional structure has influenced the locational distribution of urban renewal activities on one hand and the time sequence of project approvals on the other. With respect to the localities it will be argued that the institutional structure has influenced the method by which the local share of the project is paid.

The central theme about the workings of a political process is drawn from the works of Downs,¹ Tullock,² and Wildavsky.³ Individuals within political processes must be responsive to the wishes of those who can control their future within the organization either directly or indirectly by means of financial control. Otherwise they will not survive. This is not really so different in principle from a market in which the seller must consider the tastes and alternatives of his customers if he is to continue as a seller.

The Urban Renewal Administration

Because of the particular method of financing urban renewal (sometimes called the "back door" method), those who have the greatest influence on the amount of available funds can be rather easily identified.

* The author wishes to thank Professor James M. Buchanan, Univ. of Virginia, and Professor Gordon Tullock, Rice Univ., for their suggestions during the formative stages of this study. Parts of this paper summarize work contained in the author's unpublished dissertation, "Influences of Decision Processes on Urban Renewal," Univ. of Virginia.

¹ Downs, *Inside Bureaucracy* (Little, Brown and Co., 1967).

² Tullock, *The Politics of Bureaucracy* (Public Affairs Press, 1965).

³ A. Wildavsky, *The Politics of the Budgetary Process* (Little, Brown and Co., 1964).

Bills including the amount of urban renewal authorization are acted upon by the Congress after having passed through the banking and currency committees. Once the funds are authorized, however, URA can effectively bypass the appropriations committees and Bureau of the Budget for much of its financing. Limited only by the amount of congressional authorization, URA has the authority to sign contracts with local public agencies which guarantee the payment of a certain amount of funds at the completion of a project. These contracts can then be used by the locality as collateral for project financing. When these contracts become due there is little the appropriations committee can do but appropriate the funds. Thus, in essence, URA has access to the full amount of congressional authorization. Even though this does not mean the appropriations committees have no control over urban renewal expenditure; it does mean, however, that the members of the banking and currency committees have a rather direct control over the magnitude of URA activities.

On the basis of this institutional fact it is conjectured that the Urban Renewal Administration is responsive to the desires of members of the banking and currency committees. It is assumed that a congressman desires more projects and spending in his district.

An examination of the membership of the 1964 banking and currency committees reveals that the 50 percent of all states which are represented on these committees receive almost 80 percent of all urban renewal expenditures⁴ at the federal level. Population could be used as a reasonable explanation for this but population cannot be used as an explanation if it is found that urban renewal activity tends to be centered in congressional districts which are represented on the House Banking and Currency Committee. In making this comparison, several problems are encountered. First, the interests and influences of congressmen elected "at large" are not easily identified. Second, the constituents of a congressman may benefit from urban renewal projects which are not in his district. A representative from New York City or Philadelphia may be very interested in urban renewal in his metropolitan area even though it is not in his district. Furthermore, the data do not indicate the particular congressional district of projects in metropolitan areas when there is more than one congressional district in that area. So, failure to include all projects in a particular metropolitan area which has more than one district as projects in which a representative from one of those districts would be interested, would result in an underestimate of the interests of this particular representative. On the other hand, if all projects in a metropolitan area with more than one district

⁴ Project here refers to all projects for which "Part I" of the application has been approved.

are credited to just one member of the House, a population bias enters the analysis. Finally, some projects could not be assigned to a congressional district since the data source did not give the location of the project within the state, and other projects are located outside of the United States.

Suppose, first, that members of this committee from metropolitan areas with more than one congressional district are directly interested in all projects that occur in that metropolitan area. In this case, as shown on Table 1, the 7 percent of the House members which are on this committee have a direct interest in 25 percent of all urban renewal expenditures. If we delete from the sample all metropolitan areas with more than one district and all congressmen elected "at large," we find that the 5 percent of such congressmen on the House Banking and Currency Committee receive about 10 percent of urban renewal expenditures.

It appears that there is a relationship between membership on the House Banking and Currency Committee and urban renewal expenditures but both qualifications and refinements are needed. First, the reliability of the data is questionable.⁵ Second, if membership on the committee influences URA decisions, the relevant data are urban renewal expenditures at the time the districts were represented. Third, the Banking and Currency Committee deals with many things other than urban renewal. Districts which have interests in these other things might also be those districts which are the most likely candidates for urban renewal. Hence, even if there is a relationship between committee membership and urban renewal, the relationship may not be due to an "advantage" in gaining URA grants provided by committee membership. The other activities of the committee may attract districts with a "relatively great" urban renewal "need."

In order to deal with the second of these problems, one needs to consider only those expenditures which occurred in a district at the time it was represented. The third problem offers more complications.

The data allow the following distinctions to be made among the districts: (i) the district was represented on the House Banking and Currency Committee at least one time during the 1949-64 period; (ii) the district received at least one project during the period; (iii) the district is not in a metropolitan area with more than one district; (iv) the district is located in a metropolitan area with more than one district.

Assume that districts which were ever represented on the committee (districts which have characteristic (i)) are more likely to have economic

⁵ Problems of this nature are due to changing boundaries and definitions as well as frequently inadequate descriptions at the sources employed.

TABLE 1
URBAN RENEWAL ACTIVITIES IN DISTRICTS OF HOUSE BANKING AND CURRENCY COMMITTEE MEMBERS, 1964

Committee Membership	Number	Dollar Value
Number of members on committee	31	$\frac{1,025,690,541}{4,065,128,551} = .2523$
Total House membership	435	$\frac{1,025,690,541}{3,813,008,749} = .2689$
Members on committee minus committee members "at large"	28	$\frac{1,025,690,541}{3,813,008,749} = .2689$
Members of House minus House members "at large"	413	$\frac{1,025,690,541}{3,813,008,749} = .2689$
Members on committee minus committee members "at large" minus committee members from metropolitan areas with more than one representative	18	$\frac{1,025,690,541}{3,813,008,749} = .2689$
Members of House minus members of House "at large" minus House members from metropolitan areas with more than one representative	329	$\frac{1,025,690,541}{3,813,008,749} = .2689$
Total projects in district or metropolitan area of committee members	294	$\frac{1,025,690,541}{3,813,008,749} = .2689$
Total projects	1872	$\frac{1,025,690,541}{3,813,008,749} = .2689$
Total projects in district or metropolitan area of committee members	294	$\frac{1,025,690,541}{3,813,008,749} = .2689$
Total projects minus projects in states with only House members "at large" minus projects in areas not in states	1690	$\frac{1,025,690,541}{3,813,008,749} = .2689$
Total projects in district of committee members other than projects in metropolitan area of committee members that contains more than one district	133	$\frac{1,025,690,541}{3,813,008,749} = .2689$
Total projects minus projects in states that contain only representatives "at large" minus projects in areas not in U. S. minus projects in metropolitan areas containing more than one district	1406	$\frac{1,025,690,541}{3,813,008,749} = .2689$
Total projects in district of committee members other than projects in metropolitan area of committee member that contains more than one district	130	$\frac{1,025,690,541}{3,813,008,749} = .2689$
Total projects minus projects in states that contain only representative "at large" minus projects in areas not in U. S. minus projects in metropolitan areas containing more than one district	1396	$\frac{1,025,690,541}{3,813,008,749} = .2689$

SOURCE: *Congressional Directory*, 1964; *Urban Renewal Project Directory* (Washington: Government Printing Office, Sept. 30, 1964). Detailed documentation can be supplied by author upon request.

characteristics which make them better candidates for urban renewal than districts which have never been represented. If it is assumed further that all districts with property (i) are equally likely candidates for urban renewal, then one can calculate the expected proportion of all spending in districts with characteristic (i) which should have occurred in such districts at the time of representation.⁶ There are variations of this theme. Perhaps it is more reasonable to assume that districts (i)∧(ii)∧(iii) are equally likely candidates for urban renewal. Likewise, it can be assumed that districts with characteristics (i)∧(ii)

TABLE 2
 EXPECTED EXPENDITURES IN DISTRICTS AT THE TIME OF REPRESENTATION ON THE HOUSE BANKING AND CURRENCY COMMITTEE COMPARED WITH ACTUAL EXPENDITURES

Definition of the set of Districts "D"	Expected Expenditures* in Members of D During the Period of Representation as a Percent of Expenditures in All Members of D	Actual Expenditures in Members of D During the Period of Representation as a Percent of All Expenditures in Members of D
(i)	.370	.77†
(i)∧(ii)∧(iii)	.369	.71
(i)∧(ii)∧[(iii)∨(iv)]	.378	.77†

- (i) The district was represented on the House Banking and Currency Committee at least one time during the 1949-64 period.
- (ii) The district received at least one project during the 1949-64 period.
- (iii) The district is not in a metropolitan area with more than one district.
- (iv) The district is located in a metropolitan area with more than one district.

* Approximately.
 † These figures are the same by definition.

∧ [(iii)∨(iv)], or equivalently (i)∧(ii),⁷ are relatively "homogeneous" with respect to urban renewal "needs." This latter set is affected by the problems of "overrepresentation" as was explained above.

On Table 2 the expected expenditures in districts at the time of representation were calculated under all of the above sets of assumptions and are compared with actual. In all cases it was expected that about 37 percent of the expenditures should have occurred during the time of representation. However, about 70 percent of the expenditures took place at the time of representation.

⁶ Let |D| be the number of elements in a set D of districts with the desired properties. Let |R_i| be the number of elements in that set, R_iCD, of districts which are represented on the committee in year i. Let S_i be the expected expenditures in year i in districts contained in D and assume the expected expenditure is that which actually occurred. Then the expected expenditures during the 1949-64 period in districts of D at the time of representation is

$$ESR = \sum_{i=49}^{64} S_i \frac{|R_i|}{|D|} .$$

The expected proportion is

$$ESR / \sum_{i=49}^{64} S_i .$$

⁷ If a district was ever represented, it is either in a metropolitan area with more than one district or it is not.

Even though these data support the idea that URA caters to the source of funds, there are alternative explanations for the statistics. For example, perhaps members of the committee have more insight into the internal functioning of URA and are thus able to advise their constituents on dealings with the agency.

The Timing of Decisions

The works of Otto Davis and others indicate that bureaus in general are placed in a rather peculiar situation with regard to the timing of decisions. Decisions made by those who provide funds to the bureau are usually made near the beginning of the fiscal year. The material used for evaluation is in part the annual statistics of the previous year's activities. For the bureau this means several things. First, a given budget must be allocated over a year—the bureau's activity of providing services does not directly provide a stream of income as is the case with a firm. The entire budget cannot be spent during the first part of the year. Otherwise, there would be no justification for employment during the latter part of the year and the bureau would be without funds to meet unforeseen contingencies such as, for example, favors for important committee members. Yet, the bureau must spend most or all of its budget unless it wishes to face budgetary cuts the following year.

All of this indicates that expenditure decisions will proceed slowly during the first part of the year and increase during the latter part of the fiscal year when more of the opportunity costs are known.

In the case of the Urban Renewal Administration four types of decisions are of particular interest. Communities apply to URA for aid. This application shall be called an "original request." The URA then decides whether to approve the application or not. This decision will be called an "original approval." During the life of a project the community may decide to expand the project or it may find that the original grant was going to be insufficient. Regardless of the motivation the locality sometimes decides to request more aid. This decision shall be called a "revised request" and approval by URA is termed "revised approval." The final decision which is of interest is the decision that the community has actually satisfactorily completed the project and that the funds should be disbursed. This decision is called a "disbursement."

The nature of the actions taken on all completed projects in Region 2 as of April, 1965, were examined. There were fifty-one projects which represented about 30 percent of all projects completed in the United States at that time.

In support of the theory it was found that the month of June is the time of most decision-making activity by the URA as shown on Table

TABLE 3
 DATES OF URBAN RENEWAL DECISIONS PERTAINING TO ALL COMPLETED PROJECTS IN REGION II, BY
 MONTH AND TYPE OF DECISION, APRIL, 1965

Type of Decision	Month											
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June
Original request.....	5	5	11	1	4	2	3	2	6	3	2	7
Original approval.....	1	1	3	4	5	6	4	1	8	2	3	14
Revised request*.....	2	3	5	1	4	5	4	8	4	12	5	8
Revised approval.....	3	2	3	4	2	6	3	6	7	4	7	11
Disbursements.....	0	2	3	1	0	1	0	1	1	5	2	34
Total.....	11	13	25	11	15	20	14	18	26	26	20	74

* Revised requests are frequently submitted together with a request for disbursements. Such data are not included here.
 SOURCE: Housing and Home Finance Agency, Urban Renewal Administration, Region II Office, Philadelphia.

3. However, during the last three months of the fiscal year almost one-half of all revised requests were made by the locality. This tends to support an argument that URA encourages communities to revise their requests during the latter part of the fiscal year. It appears as though the agency starts the year by making few decisions, and then picks up the pace during the latter part of the fiscal year.

Table 4 will aid in casting additional light on this activity. The same fifty-one projects are represented according to the time the application was acted upon by URA and the percentage of the request granted by the URA. When URA acts during the first part of the fiscal year most localities are given exactly what was requested while a few are marked

TABLE 4
PERCENTAGE OF GRANT REQUESTS MADE DURING CERTAIN PERIODS OF THE YEAR THAT FALL INTO THE VARIOUS CATEGORIES OF SUCCESS. ALL COMPLETED PROJECTS IN REGION II, APRIL, 1965*

Period of Year	Percentage of Request Accepted by URA				
	Below .96	.98	100	1.02	1.04 above
July, August, September, October.....	14.28	4.76	76.19	0	4.76
November, December, January, February.....	18.75	9.37	59.37	6.25	6.25
March, April, May, June.....	27.65	8.51	46.80	8.51	8.51

* Data include all decisions made on all completed projects in Region II as of April, 1965, other than disbursements and revised requests made for disbursement purposes.

SOURCE: Housing and Home Finance Agency, Urban Renewal Administration, Regional Office II.

down. However, when actions were taken during the latter part of the year the approval was likely to be for either more than was requested or considerably less. This supports the idea that URA is changing its spending criteria in order to spend the proper amount of funds. This is done by encouraging localities to apply for additional funds, being "lenient" with the good projects, and approving at reduced amounts projects which are really "marginal."

If URA actually encourages applications near the end of the fiscal year, it must also approve those applications before the end of the fiscal year. And as was argued above, it will also tend to approve those applications with which it has been having "trouble" or those requests that have "been around" a long time. The requests are presented on Table 5 according to the time URA approval was received and the time that had elapsed since the request was made. Both as a percentage and in absolute terms, decisions made during the latter part of the

TABLE 5
 PERCENTAGE OF APPLICATIONS FOR GRANTS ACCORDING TO TIME TAKEN FOR URA
 DECISION AND ACCORDING TO PERIOD OF THE YEAR, APRIL, 1965*

Period of Year	Number of Months Taken for URA Decision		
	0-3	4-7	8 and over
July-August.....	$\frac{4}{8} = 50.00\%$	$\frac{2}{8} = 25.00\%$	$\frac{2}{8} = 25.00\%$
September-October.....	$\frac{7}{13} = 53.84\%$	$\frac{4}{13} = 30.76\%$	$\frac{2}{13} = 15.38\%$
November-December.....	$\frac{4}{17} = 23.52\%$	$\frac{7}{17} = 41.17\%$	$\frac{6}{17} = 35.29\%$
January-February.....	$\frac{2}{14} = 14.28\%$	$\frac{5}{14} = 35.71\%$	$\frac{7}{14} = 50.00\%$
March-April.....	$\frac{9}{18} = 50.00\%$	$\frac{2}{18} = 11.11\%$	$\frac{7}{18} = 38.88\%$
May-June.....	$\frac{16}{29} = 55.17\%$	$\frac{4}{29} = 13.79\%$	$\frac{9}{29} = 31.03\%$

* Data include all decisions made on all completed projects in Region II as of April, 1965, other than disbursements and revised requests made for disbursement purposes.

SOURCE: Housing and Home Finance Agency, Urban Renewal Administration, Regional Office II.

fiscal year tend to be made on either "very recent" applications or "very old" applications. Presumably the recent applications were those sought by the agency and the old applications are the marginal cases.

Of course, these data "prove" nothing. In fact, given the nature of the conjectures, it is difficult to imagine what type of data would provide an adequate test. Nevertheless, the observations are strongly in agreement with the conjecture that the way urban renewal decisions are made strongly affects those decisions.

The Local Decision

The third decision process within the urban renewal framework which is of interest is that used by the locality. Generalizing about the decision process at the local level is even more difficult than at the federal level. There are many different processes which vary according to states and even according to the localities within states. Because of this diversity, the best way to describe the local decision process is in terms of the exhaustive set of channels, instruments, or actions open to an antagonist

(someone against urban renewal) to change, modify, or "kill" a proposal. This set is defined by the institutional framework of the decision process and may contain such elements as a "public referendum," or "pressure on a city planning commission which has veto powers," etc. Since this set is exhaustive, it represents the set of "hurdles" that advocates must overcome in order to be a successful coalition.

If the set of hurdles contains the element "unanimous rule," no change could take place unless the set of antagonists is empty. The process of choosing a proposal is, of course, logrolling, and the nature of the set of hurdles indicates the types of compromises that might be made in the system while a successful coalition is being formed.

With respect to urban renewal decisions, the number and nature of hurdles differ between states and sometimes between communities within states. In general, they can be classified as: the creation of a local public agency; the formulation of an urban renewal plan; the financing of a plan; and the acceptance of a plan.

The first hurdle that stands in the way of urban renewal advocates at the local level is the declaration by the community of a need for urban renewal and the establishment of a local public agency (LPA). This action, in several states, can only be done by the authority of a public referendum.⁸ Other states, with a few exceptions,⁹ stipulate that this can be done by a majority of the local governing body.

It appears that a referendum requirement for the establishment of an LPA would be no harder for "advocates" to overcome than a requirement that such measures must be passed by an elected local governing body. Mayors and city councils, if indifferent to the program itself, would simply try to do what the majority of their electorate wanted. A public referendum would simply make more accurate the estimation of the wishes of a majority. In the absence of a referendum a local public official could just as easily overestimate the number against the program as underestimate. Likewise, if the local public official was not indifferent, personally, toward urban renewal, he could be an advocate just as easily as he could be an antagonist. Furthermore, it would be just as easy for antagonists to influence the few individuals of a city council as the advocates. Neither is furnished with an existing organization or a subsidized source of funds with which to organize them-

⁸ California requires a majority vote for the establishment of an LPA (after July, 1961). This is also a requirement in the states of Maine, Mississippi (after 1962), Missouri (in towns with populations less than 75,000), Nebraska (in towns with populations less than 150,000), New Hampshire (in "towns"), Texas, Vermont, and Virginia.

⁹ Florida and New York require that a special state legislative act is needed before any city, town, or municipality can exercise urban renewal powers. Illinois requires that communities must have the approval of the State Housing Board before exercising the powers while Wisconsin requires that the local governing body must pass such approval by a two-thirds vote rather than a majority.

selves. So, there is no a priori reason to expect either to be successful.

A referendum requirement does increase costs to both advocates and antagonists to the extent that they now need not only persuade and inform the governing body but also the class of indifferent people. In another sense, however, referendum requirements reduce coalition costs. Except to the extent that the class of indifferent people can be influenced, there is no need for forming a coalition. The coalitions form automatically at the ballot box. This implies that there is no need for advocates or antagonists to identify themselves to each other. Each individual can simply express his preferences when he votes.

The second major hurdle is the preparation of a plan. The importance should not be underemphasized. The plan is the actual motion which is to be accepted or rejected. It is by the plan that the actual basket of goods representing various concessions from all parties which take place in a logrolling process are represented. The individuals who control the plan actually control the alternatives faced by the decision-makers. In effect, those who control the alternatives faced by the decision-maker control the decision. Decision-makers who do not have the authority to make amendments to proposals or make alternative proposals actually do not control the variables which they are supposed to control as decision-makers. They can be placed in a situation similar to an "all or none" situation in the theory of demand. It is important to note the means by which proposed plans can be amended.

In most cases it is the primary responsibility of the LPA to prepare the urban renewal plan. If no other individuals in the community have the authority to amend this plan without the consent of the LPA, the advocates are placed in a very strong position since it is likely that the LPA members are strong advocates. State laws are unclear on this point.

Means for altering proposed plans, other than by direct amendment by the local governing body, frequently exist. For example, pressure might be applied through a city planning commission or similar agency. In some states a city planning commission has considerable authority over both the area to be redeveloped and the characteristics of the proposed urban renewal project.¹⁰ Other states either do not require recommendations from a planning commission, or, if such recommendations are required, they are not binding.

It may be possible to pressure members of the LPA itself. The LPA serves under, or perhaps consists of, a board of supervisors. This board controls all employment within the LPA and it is with the members of

¹⁰ California and Maine require that the plan be certified by the city planning commission. Failure of the commission to approve the plan necessitates a two-thirds vote of the city council for acceptance of the plan. States requiring the approval of the planning commission as a necessary condition for the initiation of the plan are Connecticut, Indiana, Kentucky, and Pennsylvania.

the board that the authority of the LPA rests. If local decision-makers are unable to exert pressure on this group, either directly or through its own decision process to amend plans, a major source of compromise is eliminated.

The most obvious way that a decision-maker can exert pressures directly on the board for amendments to a plan is by the threat of removal. This alternative, however, is not open in all states. This also differs according to whether the local public agency is a housing authority or an urban renewal agency. In most instances the board is appointed by either the mayor or the local governing body, and those who appoint are able to remove. This pattern is not consistent, however. In some states the LPA officials can be removed only by the governor or a state board of housing in case the LPA is a housing authority.¹¹ In two states, the state can appoint and remove at least one member of a redevelopment agency,¹² and in one state, Indiana, all removals are made by the circuit judge. As a result, one can expect that LPA's in areas where the mayor or the local governing body have little ability to remove the officers from their positions, the local decision-makers have much less latitude over the range of alternatives they face with respect to urban renewal.

Finally, the advocates must get the approval of the decision-makers. Generally, there are two basic ways "approval" of an urban renewal plan is given. First, the state law may stipulate that the local governing body, itself, has the authority to approve transactions and activities of the LPA without resorting to a public referendum. A referendum is the second method of approval.¹³

If no public referendum is required, some definite implications can be deduced. Lack of the need of a public referendum establishes a decided advantage for the advocates.

Unlike the period during the establishment of the LPA, when the pressures on the local governing body were symmetrical, after the establishment of the LPA no such symmetry exists. The reason for this lies in the costs of decision making. For a group to identify themselves, to get together and to make a collective decision, requires funds, organization, etc. These institutions, however, are activities of a public nature. That is, the institution for making decisions is itself a type of collective good which the market, when left to its own processes, will leave in insufficient supply.¹⁴ Such an institution is estab-

¹¹ Illinois, Delaware, Georgia, Massachusetts (one member is appointed by the State Housing Board), New Jersey (one member is appointed by the state director of housing).

¹² Illinois and New Jersey.

¹³ States requiring a public referendum for all urban renewal projects are Mississippi, Montana, and Vermont.

¹⁴ This point was made by Mancur Olson, Jr., "Discussion Paper," *A.E.R.*, May, 1964, p. 251.

lished and financed by the locality for the advocates in terms of the local public agency. No such institution exists for the antagonists. Thus, the establishment of the LPA creates for those who desire the program an advantage in getting any particular proposal accepted.

If no referendum is required, those who are antagonists must invest funds, not only in communicating with the governing body, but also in finding each other for the purposes of forming a coalition which can present a position and objection to the governing body. They must invest in showing the governing body that they are a majority, and this requires knowing who are antagonists. This requires investments. If a referendum is required, no such investment is necessary.

It should be pointed out that there are two separate effects. Once the local public agency is established there is created an advantage for the advocates. This is due to "coalition costs" being furnished by the government. Regardless of the method of approval, by referendum or by ordinance, this advantage remains. A referendum, however, reduces coalition costs to the antagonists relative to the advocates.

The method of approval often depends on how the project is financed. If certain types of noncash grants are used as payment for the local share of net project cost, the project to be constructed on the area might, itself, require authorization by referendum only. Several states require a public referendum on all bond issues. This requirement can differ between communities and according to the purpose of the issue. If the means of financing the project are subject to a referendum, a good chance arises for the antagonists to exert their influences and gain concessions, if not kill the complete program.

Even though the existence of referendum requirements for bond issues may not completely stop an urban renewal program, it may put antagonists in a relatively strong bargaining position; thus necessitating considerable concessions on the part of the advocates. If a strategy is available to the advocates which would avoid the necessity of a referendum, they would certainly adopt it.

This reasoning implies, also, that where no public referendum is necessary, the program should more nearly approximate the wishes of the advocates—those of the community with the strongest urban renewal preferences. Here we can get some idea of what the tastes of strong advocates might be.

The local share of an urban renewal project can be paid by means of cash grant or a noncash grant. The noncash grant can be in terms of site improvements such as streets, sidewalks, sewers, planning, housing, etc., or public utilities such as parks, schools, playgrounds, parking lots, civic centers, bridges, etc. It can be argued that strong urban renewal advocates would be more likely to pay for the project with

cash or site improvements rather than utilities of a more "public" nature. So, if a referendum is required, it would seem more likely that the local share would be paid in terms of "public works" as opposed to cash or "site improvements."

A hypothesis of this nature was tested. Data from all applications submitted to the Regional Office Number II, for which Part I of the Loan and Grant Contract has been approved by April 25, 1965, were collected. The projects were divided into those for which a public referendum of some type was required and those which faced no such constraint.¹⁵ For each project, the amount that actually must be raised by the community was calculated. This means that state contributions, land donations, and tax credits were deducted from the local share. This remaining amount was either paid out of increased taxes, general revenue funds, capital improvements budgets, or bond issues. If a referendum of any type was required for the raising of the funds, the project was classified as one on which a vote occurred.

After the funds were raised, they could pay for the project with cash, project improvements, and demolition grants, or the construction of some type of public utility. The hypothesis states that if a vote is required, the funds would not be used as cash or site improvements. Rather, the funds would be used for the provision of some type of public utility.

For each project, the percentage of the funds raised by the locality which was used as a cash payment was computed. The percentage of the funds raised by the locality which was used for the provision of public utilities was computed. The results are shown on Table 6. For the average project on which a vote was required, 43 percent of the local requirements were met by the construction of a public utility. For the average project on which no vote was required, 18.5 percent of the local requirement was paid by constructing public utilities. The median percentage paid by projects on which a vote was required was 35 percent as opposed to less than 5 percent for those on which there was no vote.

On the basis of this result, it can be argued that where the local public agencies are able to avoid public referendums, there is less need for them to attach urban renewal to some form of public utility in order to get the program passed. Where there exist referendum requirements, a successful proposal must be one which makes greater concessions to individuals who have relatively weak urban renewal preferences. Urban

¹⁵ The question of the reliability of the data cannot be overemphasized. The reports that were submitted to the regional office were often unclear as to different referendum requirements and actions. Where there was no indication of referendum requirements, the datum was eliminated. However, if there was some type of plausibility for one or the other categories, the datum was classified. Only a questionnaire to each community could really establish a good classification. This, however, was not done.

TABLE 6

PROJECTS DISTRIBUTED ACCORDING TO PERCENT OF LOCAL SHARE PAID BY MEANS OF THE CONSTRUCTION OF PUBLIC UTILITIES AND ACCORDING TO VOTE REQUIREMENTS, 1965

Percent of Local Share Paid in the Form of Public Utilities	Number of Projects			
	Vote Required		No Vote Required	
	Number	% Total	Number	% Total
5	36	34.9	55	59.2
10	4	3.8	3	3.2
15	1	1.0	1	6.4
20	3	2.9	2	2.2
25	4	3.8	1	1.1
30	2	1.9	5	5.3
35	3	2.9	1	1.1
40	4	3.8	2	2.2
45	5	4.8	1	1.1
50	2	1.9	3	3.2
55	1	1.0	4	4.4
60	3	2.9	2	2.2
65	4	3.8	1	1.1
70	3	2.9	2	2.2
75	4	3.8	0	0
80	3	2.9	1	1.1
85	4	3.8	1	1.1
90	2	1.9	1	1.1
95	3	2.9	0	0
100	12	11.6	2	2.2
Totals.....	103	99.2	93	100.4
Mean.....	43.0		18.5	
Population Mean.....	31.3			

renewal will be accepted by these individuals as a “free good” which accompanies the construction of public utilities, but they are unwilling to make cash outlays for urban renewal alone. Thus, little cash is used as payment for those programs where a referendum is required.

Summary

Part of the problem of attempting to analyze nonmarket decision processes is that of abstracting from the maze of institutional facts and associated variables those that seem to characterize the process. In this respect it was argued that the institutional framework of the urban renewal program influences urban renewal decisions in the following way: (1) districts represented on the House Banking and Currency Committee are favored; (2) URA changes its criteria for project approvals according to the time of the year; (3) the lack of referendum requirements for individual projects at the local level favors the es-

tablishment of urban renewal; (4) referendum requirements on projects at the local level influence the nature and purpose of the projects.

On the qualifications side it is sufficient to say that the shortcomings of the data are severe. Further, there is really no postulated theory of quantitative relationships among the variables. As a result, the most that can be said at this point is that the conjectures are sufficiently supported to warrant further investigation.