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*Kelo v. Leviathan: The Public Purpose
Doctrine and Government Size*

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Abstract. The recent U.S. Supreme Court decision *Kelo v. New London* upholds government use of eminent domain to acquire land for transfer to private parties when it serves a broadly defined public purpose like economic development. This paper examines the effect of this legal doctrine on the size of state and local governments. In the Leviathan model, constitutional constraints are needed to control government expansion. The public purpose doctrine in *Kelo* establishes a wide range of allowed eminent domain uses, thereby removing one potential constitutional constraint on state and local governments. The empirical results are consistent with the Leviathan model; ceteris paribus, states that explicitly empower their local governments to use eminent domain for private economic development have larger public sectors than those that do not.

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...nor shall property be taken for public use without just compensation.
--*U.S. Constitution, Amendment V*

1. Introduction

The recent U.S. Supreme Court decision *Kelo v. City of New London* (2005) upholds government use of eminent domain to acquire land for transfer to private parties when it serves a broadly defined public purpose like increasing the tax base or creating jobs. While this broad "public purpose" interpretation of the public use clause in the Fifth Amendment remains controversial, it is nonetheless consistent with a narrow economic rationale for eminent domain as a way of forestalling costly holdout problems that plague land assembly for large-scale urban redevelopment projects, whether private or governmental. In this view, efficiency is served by any process that gets the land into the hands of parties who value it most highly (Miceli, 2004, pp. 218-219).

However, exercising eminent domain on behalf of private developers, whether as a part of a large scale redevelopment plan or as a way of supporting individual big-box retail development sites, raises questions about whether the practice actually serves the interests of the public in a broader sense. One question concerns the appropriate size and scope of the public sector. According to the broad public purpose doctrine expressed in *Kelo*, it is appropriate to use eminent domain in order to increase the local tax base. Local governments often point to the anticipated increase in tax revenues when trying to sell controversial eminent domain plans to the public. The question then becomes, what do state and local governments do with the proceeds from this larger tax base? Do they reduce the taxes on other residents or do the proceeds stay in the public sector? The

question is whether the Supreme Court's current public purpose doctrine expressed in *Kelo* simply gives state and local governments a tool to pursue efficient economic development or if it just opens another channel through which state and local leviathans can expand their command over resources in the economy.

This paper examines the empirical relationship between the eminent domain for private development allowed by the public purpose doctrine and the leviathan hypothesis of Brennan and Buchanan (1980). Notwithstanding the efficiency rationale for eminent domain as a way of dealing with the holdout problem, the question is whether the current expansive public purpose doctrine articulated in the *Kelo* decision eliminates an effective constitutional constraint on government size. Or, are the combined effects of fiscal decentralization and horizontal competition able to hold the state and local leviathans in check regardless of whether or not they enjoy the broad eminent domain powers affirmed in *Kelo*?

The empirical results show that states that expressly grant broad eminent domain powers to local governments for private development purposes also tend to have larger public sectors than those that do not. Regardless of the net benefits from public support of private economic development, governments appear to exploit their eminent domain powers to promote greater public sector expansion, whether measured by the size of the combined state and local sector, individual state governments, or local governments.

The paper is organized as follows. Section 2 reviews the process by which the original narrow interpretation of the public use clause in the Fifth Amendment gradually became the broad public purpose doctrine in force today. Section 3 discusses the relationship between government powers, like eminent domain, and the relative size of

government. Section 4 presents the empirical tests of the relationship between the modern expansive public purpose doctrine and the relative size of the state and local public sector in the U.S. Section 5 concludes.

2. Evolution from Public Use to Public Purpose

Eminent domain promotes efficiency when used to deal with the holdout problem in the process of land assembly. Economists, however, are generally of two minds when interpreting the public use clause in the U.S. Constitution. One view interprets the clause broadly in order to allow governments the freedom to take land for transfer to other private owners when it leads to greater aggregate value. The other view focuses more on the vagaries of community decision-making that lead to government failure, including fiscal illusion and imperfect information as well as rent seeking by private parties, which in turn argue for keeping property transactions in the private market unless there are compelling reasons to exercise eminent domain for government use.

The first landmark case in the evolution of the public use clause to the public purpose doctrine is *Berman v. Parker* (1954). In this case, Washington D.C. obtained private property by eminent domain and then leased or sold it to private developers in a slum clearance program. The Supreme Court ruled that this practice within a "comprehensive plan" (n. 105) met the constitutional public use restriction in the Fifth Amendment. This case represents an important turning point, heralding a period of rapid growth in the use of eminent domain as an integral part of public-private urban redevelopment partnerships.

Hawaii Housing Authority v. Midkiff (1984) represents the next expansion of the public purpose interpretation of the public use clause. In 1967 Hawaii passed the Hawaii Land Reform Act, legislation implemented to break up the extremely concentrated private land ownership in the state. Hawaii was unique in terms of its oligopolistic ownership structure, a legacy of its transition from an independent kingdom to U.S. state. The legislative intent was to reduce the negative social effects of such concentrated landownership. According to the plan, the State was to use its eminent domain powers to take land from private owners for distribution to previous tenants when a majority of tenants agreed to purchase the property at prices set by negotiation or by special courts. *Midkiff* expands the *Berman* public purpose doctrine beyond economic development to include land redistribution. In the eyes of the U.S. Supreme Court, reducing the negative social effects of slums and concentrated land ownership are similar. Most significantly, the public purpose interpretation of "public use" was no longer even tied to measurable goals like local tax base growth or employment; *Midkiff* opened the public purpose test to include non-measurable social goals as well.

The Michigan Supreme Court decision *Poletown Neighborhood Council v. City of Detroit* (1981) represents another landmark in the evolution of the public purpose doctrine for eminent domain. General Motors (GM) had closed an old factory in Detroit. In order to maintain local employment, Detroit agreed to supply the firm with low cost land for a new factory. The city paid \$200 million for the residential property taken by eminent domain in the Poletown neighborhood and then transferred the land to GM for \$81 million. The Court ruled that the goal of "alleviating unemployment and revitalizing the economic base of the community" (p. 459) met the public purpose test in the

constitution--even though Poletown was not a blighted area. Together, *Midkiff* and *Poletown* illustrate the systematic broadening of the public purpose doctrine for eminent domain beyond slum clearance or urban revitalization.

This view remained unchallenged in Michigan until *County of Wayne v. Hathcock* in 2004. The facts of this case are similar to those of *Poletown*. The county used eminent domain to obtain land for a privately owned industrial park. In this case, however, the Michigan Supreme Court decisively overturned the expansive view of the public purpose test established earlier in *Poletown*. Instead, the Court ruled that government taking of land in order to transfer it to private owners by sale or lease does not generally meet the public use test. Such applications of eminent domain meet the public use test only when there is extreme public necessity like dealing with holdouts during land assembly for public facilities, when the subsequent private user is a regulated utility or common carrier, or when there is a public concern like redeveloping an urban slum.

The recent U.S. Supreme Court decision *Kelo v. City of New London* (2005) brings into sharp focus the debate surrounding the public purpose doctrine for eminent domain that began with *Berman*. The *Kelo* decision was narrowly split and the majority and dissenting opinions take clear and opposite views of the public use clause: an expansive, elastic interpretation of public purpose versus a more narrowly defined public use test.

The *Kelo* case illustrates what has become a familiar application of eminent domain for economic development purposes. The construction of a large research facility by Pfizer on the outskirts of the Fort Trumbull neighborhood was the impetus for the New London's plans to redevelop the surrounding residential area. The development was

under the immediate control of a private entity controlled by the city government. The development plans included private residential condominiums and commercial development to exploit synergies with Pfizer's new research center. The project required extensive land assembly in the modest, but not blighted, Fort Trumbull neighborhood, hence the application of eminent domain to obtain a handful of houses from their recalcitrant owners. In a narrow 5 to 4 decision, the U.S. Supreme Court upheld the ruling that this exercise of eminent domain did meet the public purpose test. The Court acknowledged that taking land with the intent of transferring benefits only to particular private parties fails to satisfy the public purpose test. However, in this application, the local government "believes [the economic development] will provide appreciable benefits to the community, including, but not limited to, new jobs and increased tax revenues" (p. 2655). The majority decision also notes that

[Previous Supreme Court decisions clearly] rejected any literal requirement that condemned property be put into use for the general public...[the Court] embraced the broader and more natural interpretation of public use as "public purpose." (p. 2663)

Further, the Court clearly stepped back from the opportunity to establish a bright-line public purpose test for eminent domain, instead giving state governments "broad latitude in determining what public needs justify the use of the takings power" (p. 2664).

In contrast, Justice O'Conner's minority dissent argues that

[t]o reason, as the Court does, that the incidental public benefits resulting from the subsequent ordinary use of private property render economic development takings "for public use" is to wash out any distinction between private and public use of property—and thereby effectively to delete the words "for public use" from the *Takings Clause of the Fifth Amendment*. (p. 2671)

The minority interpretation of the public use clause is narrowly circumscribed and clear: public use is defined as government and common carrier facilities.

In *Kelo* the Court put the definition of public purpose squarely into the hands of individual state governments, which have long followed differing perspectives on this question. At the time of the *Kelo* decision, for example, 6 states explicitly allowed local governments to use eminent domain to obtain land for private development while 10 states prohibited its use for this purpose. Most states had adopted no clear stance on the question, but the political backlash in response to the decision stimulated popular debate as well as a surge in proposed legislation prohibiting *Kelo*-style eminent domain.¹ It remains to be seen how many of the ongoing legislative efforts will become law and how many of those will ultimately survive the inevitable legal challenges to follow.

3. Leviathan and Eminent Domain

Brennan and Buchanan's (1980) leviathan hypothesis assumes that the public sector behaves as if its primary goal is to maximize its command over resources, even absent the direct intent of any one of its agents. The leviathan hypothesis keys off of the monopoly power of government as the sole provider of the public good with the power to tax. Just as economic theory suggests that limiting monopoly power in private markets is desirable, so too for government. Going beyond the Hobbesian view of government as a mechanism for providing rules and enforcing order in society, individuals also recognize the need to design the constitution to limit government powers. The political marketplace alone does not necessarily constrain inefficient government expansion into the private economy; in fact, the political process may reinforce this tendency as interest groups

¹ On the one-year anniversary of the *Kelo* decision, President Bush signed an executive order prohibiting Federal agencies from using eminent domain for private development. The executive order rejects the expansive public purpose doctrine and instead adopts the narrower public use interpretation articulated by the Michigan Supreme Court in *Wayne v. Hathcock* and Justice O'Connor's *Kelo* dissent.

engage in burden shifting and rent seeking. Therefore, both direct and indirect constitutional constraints on government are necessary to uphold the interests of society.

This view of the public sector is based on the underlying assumption that public sector bureaucracies are by their very nature expansionary. Direct empirical evidence concerning the behavior of government bureaucracies is scant, but what exists tends to support this notion (Blais and Dion 1991, Hayes, Razzolini, and Ross 1998, Chang and Turnbull 2002). There is a larger body of indirect evidence from empirical tests of theories based on the assumption of expansionary public sector bureaucracies (Dahlberg and Mork 2006, Davis and Hayes 1993, Kim and Kim 2005, Turnbull 1998, Turnbull and Mitias 2002). Studies of the empirical determinants of relative size of the state and local public sector represent closer antecedents to our study. These studies offer mixed conclusions, although the weight of the evidence leans towards the presence of state and local leviathans (Campbell 2004, Nelson 1987, Oates 1985, Zax 1989).

The public use clause in eminent domain cases is one example of the type of constitutional constraint that can restrict the size of government. State and local governments typically argue that exercising eminent domain for private development will increase tax revenues, which benefits the public. The question is whether the resultant greater tax revenue reduces the tax burden on taxpayers or whether it is used to support greater government spending. The leviathan hypothesis suggests such use of eminent domain to increase the tax base will be used to raise more tax revenue to support greater spending.

In addition, broader eminent domain powers can lead to greater eminent domain abuse. The Court weakens private property rights when allowing governments to

circumvent the rules of free market transactions in the name of economic development. It is reasonable to believe that courts will tend to side with governments in future cases of alleged eminent domain abuse. U.S. courts have a well-documented history of deferring to the judgment of local and state governments regarding appropriate use of eminent domain (Cohen 2006). Regarding this concern, Justice Kennedy's concurring opinion in *Kelo* while courts will review each future case on its own merit, they will do so "with the presumption that the government's actions were reasonable and intended to serve a public purpose" (p. 2669). Whether or not broad eminent domain powers lead to greater eminent domain abuse, weakening the constitutional constraint on government increases its ability to rearrange the economic landscape to better serve its revenue-maximizing interests at the expense of individuals who happen to be standing in the way. This provides another argument for why we should expect a positive relationship between broad eminent domain powers and government size.

The *Kelo* decision makes it clear that the U.S. Constitution will not be the source of restrictions on the powers of local governments to use eminent domain for private development; individual states are free to define their own constraints on local governments. As noted earlier, state constitutions and statutes take a range of stances on the public use clause. Thus, under the leviathan hypothesis we expect to find larger public sectors in states that give local governments expansive eminent domain powers.

4. The Empirical Analysis

The sample comprises 94 observations from 47 continental U.S. states for 1990 and 2000.² Following earlier literature, the empirical models specify government size as a function of state and local government structure and socio-economic factors. These variables follow the different forms used in the empirical leviathan literature (Campbell 2004, Oates 1985, Nelson 1987, Zax 1989). In addition to the usual variables, we add controls for the dominant political ideology, the strength of constitutional constraints on local government behavior, and a variable indicating whether or not the state constitution or legislation explicitly empower local governments to use eminent domain for private development purposes. For easy reference, Table 1 defines the variables used in the analysis. Table 2 reports summary statistics.

4.1 The empirical models

Tables 3-5 indicate the empirical specifications for each of the models. For dependent variables, we measure government size using two alternative variables, tax revenue divided by state personal income (*Tax Size*) and total own source revenue divided by personal income (*OSR Size*). Own source revenue is defined as tax revenue plus current charges and omits interest income, special assessments, and the revenues raised from sales of government owned property. These variables are constructed for state and local governments combined as well as state and local governments separately in the individual models discussed later.

² Virginia is omitted from this study because cities are independent of counties in Virginia, a unique institutional arrangement that by itself can lead to as yet undetermined effects on public sector size.

The independent variables include different measures of the structure of the state and local public sector. We use two alternative fiscal decentralization measures. One is defined as local own source revenues as a share of total state and local own source revenue (*OSR Decentralization*). The second is defined as the share of local general expenditures as a share of total state and local general expenditures (*Exp Decentralization*). Oates (1985) and Zax (1989) use the revenue-based measure of decentralization. Oates concludes that decentralization has a positive effect on the size of the aggregated state and local public sector while Zax (1989) finds that decentralization has a significantly negative effect on the size of the local public sector. Oates finds no significant relationship between the expenditure-based decentralization measure and the size of the state and local public sector.

The *Fragmentation* variable is defined as the number of county and municipal governments in the state, and is included in the models to control for the effects of horizontal competition among local governments (Campbell 2004, Sjoquist 1982) as well as possibly local jurisdiction scale effects (Zax 1989). Under the leviathan hypothesis, greater decentralization and fragmentation will restrain government growth, in which case the coefficients on these variables will be negative. As Zax (1989) notes, however, including the decentralization measure along with fragmentation means that the fragmentation coefficient picks up the effect of smaller local governments—a negative coefficient is consistent with diseconomies of scale in local government size while a positive coefficient is consistent with economies of scale. In any event, the existing empirical estimates on this variable are mixed (Campbell 2004, Oates 1985, Nelson 1987, Sjoquist 1982, Zax 1989).

Other standard variables include the share of intergovernmental grants from the state to the local sector (*Grants*) as well as the socio-economic variables for the state population (*Population*), the proportion of the state population residing in an MSA (*Urban*), the median household income in the state (*Med Income*), and the state unemployment rate (*Unemployment*). The existing evidence for these variables is generally mixed. Grants have been found to have a positive or insignificant effect on the size of the state and local public sector (Nelson 1987, Oates 1985). The other variables sometimes exhibit positive and sometimes negative effects on relative government size (Nelson 1987, Oates 1985, Zax 1989).

We add several new variables to the standard government size determinants listed above. Our *Democrat* variable is a rudimentary control for ideology. This variable measures the percent of state vote for the democrat presidential candidate in the 1992 and 2000 elections.

The next variable takes into account the assignment of fiscal powers between state and local governments. Local governments are created by states, and state constitutions and practice define the latitude that local governments have in pursuing their fiscal actions. Home rule gives local governments a wide degree of discretion in these matters. Generally, under home rule, local governments are free to pursue activities that are not explicitly ruled out by states (Black, 1990). Dillon's rule, or no home rule, embodies the opposite interpretation of local powers. Under Dillon's rule, local governments do not have the freedom to pursue particular activities unless they are specifically given those powers by states (Richardson, et al. 2003). In practice, all local governments enjoy some autonomy and every state government maintains some control over local governments;

home rule is a matter of degree. We draw from the comparative case study by Krane, et al. (2001) to construct the *Home Rule* index as a measure of degree of autonomy enjoyed by local governments in each state. We expect this variable to have a positive coefficient under the leviathan hypothesis.

Turning to the variable of main interest, *Eminent Domain* is a dummy variable indicating a state whose constitution or legislation explicitly empowers local governments to use eminent domain for private development projects. We surveyed state approaches to *Kelo*-type eminent domain in 2000 to construct this variable. The *Eminent Domain* variable takes a value of one for Connecticut, Kansas, Maryland, Michigan, Minnesota, North Dakota, and New York and zero for all other states in the sample. We include Michigan in the critical set of states despite the *Wayne* decision adopting the narrow public use doctrine because the widely-cited *Poletown* public purpose doctrine was in effect during 2000.

A positive coefficient on the *Eminent Domain* variable indicates that granting such power opens another channel for local leviathans to exploit expanded tax bases to grow the relative size of government. A negative coefficient contradicts the leviathan model. We suspect that our estimates of this coefficient might be biased toward zero because many local governments are free to use *Kelo*-type eminent domain in some states that have not adopted a constitutional or legislative stance on the question. This suggests that our empirical test is biased against the leviathan hypothesis.

Finally, we do not include an indicator for states explicitly prohibiting expansive eminent domain powers for local governments in the models reported here. These states adopted their current legal stances toward eminent domain between the years 1957 and

1985, with the later adoptions possibly too recent to affect the public sector size in our sample period. Still, one might argue that a state that recently adopted a narrower view of eminent domain might have been really harboring the narrow view even during earlier decades, possibly placing informal constraints of some sort on local governments inclined to follow the more expansive doctrine (although we are not sure what form such constraints might take). In our preliminary empirical analysis we included a variable for those states that expressly forbid *Kelo*-type eminent domain to see if this was the case. The variable coefficient was always insignificant.

4.2 Combined state and local size effects

Table 3 reports the logit estimates for models using relative size measures that aggregate each state and its local governments. Two versions of each model are reported, one using the own source revenue and the other the expenditure based measure of decentralization. The first two models in table 3 measure government size in terms of tax revenues. The last two measure government size in terms of own source revenues.

Looking at the variables of central interest, whether measured in terms of revenues or expenditures, decentralization reduces the relative size of the state and local public sector—strong evidence of state and local leviathans. Fragmentation, on the other hand, appears to bear no significant relationship with public sector size. Surprisingly, the degree of local home rule in the state also does not affect the size of the state and local sector. The ideology variable is significantly negative only in model (4). Overall, home rule powers or ideology do not significantly affect government size.

The *Eminent Domain* coefficient estimates are significantly positive in models (1) and (2) revealing that states that expressly allow eminent domain for private development also tend to enjoy greater tax revenues. The estimates are also positive in models (3) and (4), although the significance is lower in model (4) using the expenditures-based measure of government decentralization. Still, the results indicate that states that have explicitly embraced the broad public purpose doctrine tend to have larger state and local public sectors than their counterparts that have not. These *Eminent Domain* results are consistent with the evidence of leviathans seen in the decentralization estimates. The broad public purpose doctrine appears to open another channel through which state and local leviathans can draw more resources into the public sphere.

4.3 Separate state and local size effects

It is also possible that eminent domain effects on government size may differ for state and local sectors. For example, state governments rely more on income and sales taxes than they do on the property tax. If the private development creates employment and income growth, state income tax revenues will increase. If it generates increased retail trade, sales tax revenue will increase. For local governments, on the other hand, sales and property taxes are the dominant sources of revenue. If new private development expands these tax bases, local revenue will increase. If local governments also award significant tax breaks to lure the new private development, however, local tax revenues may not increase significantly.

Table 4 reports the logit estimates for the separate state and local government size measures in terms of tax revenues while table 5 reports the estimates for government size

measures based on own source revenues. Most of the parameter estimates resemble what we would expect in light of the pooled state and local results in table 3. Focusing on the *Eminent Domain* variable, the effect on state government size is similar to the pooled effect. The estimated effect on the size of local governments is sensitive to specification. At face value the estimates suggest that eminent domain powers at the local level appear to shift tax revenues from one locale to another (although recall that the eminent domain coefficient estimates are biased towards zero). Coupled with the significant expansionary eminent domain effect at the state level, these results are consistent with the notion that the type of private development supported by the exercise of eminent domain shifts property from residential or agricultural uses into categories that raise state government revenues. For example, removing modest residential or agricultural land from the tax base and substituting industrial, office, or retail property, shifts the land into uses that generate greater sales and income tax revenues, most of which accrue to states, not local governments. At the same time, though, we are not able to determine whether the estimates for local governments reflect the inability of local leviathans to fully exploit the advantages of using eminent domain to expand their reach or whether it reflects the offsetting effects of attendant local tax abatements or other fiscal inducements sometimes offered to private developers.

5. Conclusion

This paper examined whether allowing eminent domain for private economic development purposes has any effect on the size of state and local governments. The recent U.S. Supreme Court decision in *Kelo v. New London* upholds an expansive public

purpose doctrine that has gradually replaced narrower interpretations of the public use clause in the Fifth Amendment. The decision eliminates the federal constitution as a constraint on government eminent domain powers, instead relying on individual states to adopt their own explicit prohibitions if they are so inclined. The Leviathan model predicts that states that allow their local governments broad eminent domain powers will have larger public sectors than those that do not.

We identified the states whose constitutions or legislation expressly empower local governments to exercise eminent domain for private development purposes. These states generally have larger public sectors, results that are consistent with Brennan and Buchanan's (1980) Leviathan hypothesis. The effect of broad eminent domain powers on state governments resembles that for combined state and local governments. The effect on the size of the local public sector varies across model specifications, ranging from no effect to effects resembling the state and combined state and local results. Taking these results together, it appears that--regardless of their usefulness in economic development programs--broad eminent domain powers also open an additional channel through which state and local Leviathans can increase their command over resources in the economy. The empirical results indicate that, in terms of *Kelo v. Leviathan*, the U.S. Supreme Court's decision was decidedly in favor of Leviathan.

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Table 1. Dependent Variable Definitions and Sources

Variable Name	Variable Definition	Source
Tax shares		
<i>Tax Size</i>	state & local tax revenues as share of personal income	Computed from <i>Census of Governments</i> and <i>Census of Population</i>
<i>State Tax Size</i>	state tax revenues as share of personal income	Computed from <i>Census of Governments</i> and <i>Census of Population</i>
<i>Local Tax Size</i>	local tax revenues as share of personal income	Computed from <i>Census of Governments</i> and <i>Census of Population</i>
Own Source Revenue shares		
<i>OSR Size</i>	state & local own source revenue as share of personal income	Computed from <i>Census of Governments</i> and <i>Census of Population</i>
<i>State OSR Size</i>	state own source revenue as share of personal income	Computed from <i>Census of Governments</i> and <i>Census of Population</i>
<i>Local OSR Size</i>	local own source revenue as share of personal income	Computed from <i>Census of Governments</i> and <i>Census of Population</i>

Table 1 continued

Variable Name	Variable Definition	Source
<i>Eminent Domain</i>	state expressly allows eminent domain for economic development	Compiled by the authors
<i>Exp Decentralization</i>	share of local expenditures in total state and local spending	Computed from <i>Census of Governments</i>
<i>OSR Decentralization</i>	share of local own source revenue in total state and local own source revenue	Computed from <i>Census of Governments</i>
<i>Grants</i>	dollar value of grants to local governments as a share of state expenditures	Computed from <i>Census of Governments</i>
<i>Fragmentation</i>	total number of all local government units in a state	<i>Census of Governments: Vol. 1, No. 2, Individual State Descriptions</i>
<i>Home Rule</i>	rank indicator for relative degree of home rule power	Compiled from Krane, Rigos, and Hill (2001) <i>Home Rule in America</i>
<i>Population</i>	state population	<i>Census of Population</i>
<i>Urban</i>	share of population in MSA	<i>Census Tiger Database</i>
<i>Med Income</i>	median household income (1989 \$'s)	<i>Census SF3</i>
<i>Unemployment</i>	state rate of unemployment	BLS: Local Area Unemp. Statistics
<i>Democrat</i>	% of state popular vote for democrat presidential candidate (1992 and 2000)	<i>1994 City and County Data Book</i> and http://www.cnn.com (Date: 01/06/01)

Table 2. Summary Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Dependent Variables					
Tax shares					
<i>Tax Size</i>	94	0.101	0.011	0.067	0.141
<i>State Tax Size</i>	94	0.064	0.010	0.040	0.086
<i>Local Tax Size</i>	94	0.039	0.012	0.018	0.096
Own Source Revenue Shares					
<i>OSR Size</i>	94	0.130	0.012	0.101	0.166
<i>State OSR Size</i>	94	0.077	0.013	0.052	0.108
<i>Local OSR Size</i>	94	0.054	0.011	0.028	0.093
Independent Variables					
<i>Eminent Domain</i>	94	0.149	0.358	0	1
<i>Exp Decentralization</i>	94	0.514	0.082	0.323	0.654
<i>OSR Decentralization</i>	94	0.412	0.076	0.200	0.545
<i>Grants</i>	94	0.246	0.060	0.089	0.411
<i>Fragmentation</i>	94	1,829	1,500	119	6,835
<i>Home Rule</i>	94	2.680	1.018	1	4
<i>Population</i>	94	5,448,832	5,921,957	453,588	33,900,000
<i>Urban</i>	94	4,388,063	5,469,860	134,368	29,300,000
<i>Med Income</i>	94	\$29,465	\$4,939	\$20,136	\$41,721
<i>Unemployment</i>	94	0.050	0.016	0.024	0.096
<i>Democrat</i>	94	0.434	0.075	0.250	0.610

Table 3. Logit estimates for dependent variables *Tax Size* and *OSR Size*

Model	(1)	(2)	(3)	(4)
DEPENDENT VARIABLE	<i>Tax Size</i>	<i>Tax Size</i>	<i>OSR Size</i>	<i>OSR Size</i>
Independent Variables				
<i>Eminent Domain</i>	0.08** (2.20)	0.08** (2.03)	0.07** (1.97)	0.07* (1.80)
<i>OSR Decentralization</i>	-0.27* (-1.87)	–	-0.34*** (-2.58)	–
<i>Exp Decentralization</i>	–	-0.53*** (-2.62)	–	-0.61*** (-3.48)
<i>Fragmentation</i>	1.10E-05 (1.49)	1.27E-05* (1.72)	-8.7E-06 (-1.29)	-6.9E-06 (-1.03)
<i>Grants</i>	0.29578 (1.33)	0.71** (2.47)	0.52*** (2.76)	0.99*** (4.17)
<i>Home Rule</i>	-0.01817 (-1.47)	-0.01794 (-1.46)	-0.00558 (-0.59)	-0.00539 (-0.57)
<i>Urban</i>	4.29E-08 (2.10)	3.89E-08* (1.93)	1.37E-08 (0.69)	9.44E-09 (0.49)
<i>Population</i>	-3.99E-08** (-2.20)	-3.6E-08** (-2.06)	-1E-08 (-0.57)	-6.3E-09 (-0.37)
<i>Med Income</i>	-5.77E-07 (-0.17)	1.06E-07 (0.03)	-5E-06 (-1.46)	-4.3E-06 (-1.26)
<i>Unemployment</i>	0.57504 (0.85)	0.56297 (0.83)	-0.60408 (-0.93)	-0.60970 (-0.94)
<i>Democrat</i>	0.23808 (1.08)	0.17229 (0.81)	-0.26218 (-1.63)	-0.33** (-1.97)
<i>Constant</i>	-2.22*** (-16.11)	-2.15*** (-15.20)	-1.58*** (-13.16)	-1.52*** (-12.15)
<i>R</i> ²	0.189	0.214	0.196	0.231
<i>N</i>	94	94	94	94

*** significant at 1%, ** significant at 5%, *significant at 10%
z-statistics in parentheses

Table 4. Logit estimates for dependent variables *State Tax Size* and *Local Tax Size*

Model	(5)	(6)	(7)	(8)
DEPENDENT VARIABLE	<i>State Tax Size</i>	<i>State Tax Size</i>	<i>Local Tax Size</i>	<i>Local Tax Size</i>
Independent Variables				
<i>Eminent Domain</i>	0.08*** (2.79)	0.06* (1.85)	0.18* (1.67)	0.20* (1.83)
<i>OSR Decentralization</i>	-2.03* (-18.94)	–	2.40* (6.47)	–
<i>Exp Decentralization</i>	–	-2.39* (-9.29)	–	2.05* (3.51)
<i>Fragmentation</i>	-6.76E-06 (-1.21)	-2.7E-06 (-0.35)	4.23E-05*** (2.52)	3.92E-05*** (2.27)
<i>Grants</i>	1.11*** (6.45)	2.89*** (9.00)	-1.19*** (-3.15)	-2.63*** (-4.02)
<i>Home Rule</i>	-0.02*** (-2.80)	-0.02* (-1.63)	0.02803 (1.34)	0.03071 (1.27)
<i>Urban</i>	6.99E-09 (0.43)	-6.5E-09 (-0.36)	1.38E-07** (2.49)	1.38E-07** (2.39)
<i>Population</i>	-4.3E-09 (-0.29)	3.93E-09 (0.23)	-1.29E-07*** (-2.55)	-1.23E-07** (-2.36)
<i>Med Income</i>	-2.78E-06 (-0.97)	-1.8E-06 (-0.48)	-2.1E-06 (-0.24)	-5.28E-07 (-0.05)
<i>Unemployment</i>	0.47314 (0.86)	0.64883 (0.88)	0.63137 (0.55)	0.42957 (0.30)
<i>Democrat</i>	-0.15228 (-1.28)	-0.19068 (-1.23)	-0.12013 (-0.36)	-0.19307 (-0.46)
<i>constant</i>	-1.96*** (-15.93)	-2.02*** (-13.84)	-3.94*** (-7.98)	-3.69*** (-6.72)
<i>R</i> ²	0.772	0.641	0.509	0.391
<i>N</i>	94	94	94	94

*** significant at 1%, ** significant at 5%, *significant at 10%
z-statistics in parentheses

Table 5. Logit estimates for dependent variables *State OSR Size* and *Local OSR Size*

Model	(9)	(10)	(11)	(12)
DEPENDENT VARIABLE	<i>State OSR Size</i>	<i>State OSR Size</i>	<i>Local OSR Size</i>	<i>Local OSR Size</i>
Independent Variables				
<i>Eminent Domain</i>	0.09*** (3.06)	0.06* (1.84)	0.04233 (1.06)	0.06341 (1.18)
<i>OSR Decentralization</i>	-2.26*** (-20.65)	–	2.61*** (14.86)	–
<i>Exp Decentralization</i>	–	-2.66*** (-9.20)	–	2.30*** (6.24)
<i>Fragmentation</i>	-6.10E-06 (-0.91)	-1.6E-06 (-0.18)	-8.1E-06 (-1.08)	-1.22E-05 (-1.23)
<i>Grants</i>	0.75*** (4.51)	2.74*** (7.88)	0.09217 (0.41)	-1.49*** (-3.06)
<i>Home Rule</i>	-0.00371 (-0.45)	-0.00020 (-0.02)	-0.00998 (-0.75)	-0.00647 (-0.35)
<i>Urban</i>	-3.71E-09 (-0.22)	-1.8E-08 (-0.90)	2.53E-08 (1.08)	3.17E-08 (0.95)
<i>Population</i>	6.58E-09 (0.42)	1.51E-08 (0.79)	-2.3E-08 (-1.07)	-2.21E-08 (-0.74)
<i>Med Income</i>	-5.40E-06* (-1.71)	-4.1E-06 (-1.02)	-3E-06 (-0.82)	-1.17E-06 (-0.23)
<i>Unemployment</i>	-0.50469 (-0.84)	-0.28680 (-0.36)	-0.43503 (-0.55)	-0.63481 (-0.53)
<i>Democrat</i>	-0.39*** (-2.55)	-0.43** (-1.96)	-0.11002 (-0.59)	-0.19314 (-0.62)
<i>constant</i>	-1.41*** (-11.54)	-1.49*** (-10.03)	-3.78*** (-26.16)	-3.53*** (-14.59)
<i>R</i> ²	0.869	0.773	0.903	0.811
<i>n</i>	94	94	94	94

*** significant at 1%, ** significant at 5%, *significant at 10%
z-statistics in parentheses