REVIEW ESSAY

FROM ECONOMICS TO POLITICAL ECONOMY IN THE HISTORY OF URBAN PUBLIC POLICY

ALAN D. ANDERSON. *The Origin and Resolution of an Urban Crisis: Baltimore, 1890-1930.* Baltimore, MD: Johns Hopkins University Press, 1977. Pp. xi, 140, index. $12.00.

J. ROGERS and ELLEN JANE HOLLINGSWORTH. *Dimensions in Urban History: Historical and Social Science Perspectives on Middle-Size American Cities.* Madison: University of Wisconsin Press, 1980. Pp. viii, 174, appendix, index. $19.50.

In his classic essay of 1918, "The Crisis of the Tax State," Joseph Schumpeter noted that "the public finances are one of the best starting points for an investigation of society, especially, though not exclusively, of its political life," and he predicted a rich future for a field—which he called "fiscal sociology"—which would discover "the social processes which are behind the superficial facts of the budget figures."[1] The books at hand introduce this sort of analysis, perhaps better called "fiscal history," to the field of American urban history and declare that it was rather exclusively economic processes which were behind the budget figures in mid-sized American cities in 1900 and in Baltimore from 1890 to 1930.

In *Dimensions in Urban History: Historical and Social Science Perspectives on Middle-Size American Cities,* J. Rogers and Ellen Jane Hollingsworth present four essays—including a cross-sectional analysis

JOURNAL OF URBAN HISTORY, Vol. 8 No. 3, May 1982 355-363

of expenditure patterns in 154 cities in 1900—which contend overall that once the industrializing process is under way, "a community's economic base is the most important determinant of its social and political structures as well as its political process." In *The Origin and Resolution of an Urban Crisis: Baltimore, 1890-1930,* Alan D. Anderson examines the development of expenditure and declares that whatever the impact of political decision-making upon this process, it was "secondary to technical and economic considerations, since politicians must always operate within the narrow constraints of technological and economic imperatives."

Of course, any thoughtful American urban historian should be willing to accept some portion of these arguments. Most urban historians would agree with Anderson's lament that they have focused on the political aspects of urban development—for example the bouts between "bosses" and "reformers"—to the near exclusion of the economic aspects of urban development generally and urban political development in particular. The question of whether politics and policy are functions of economic change is, however, one of degree; to what degree is the political system "determined" by economic structures and to what degree is it "autonomous." It follows, then, that books such as these must be evaluated, first, by how well they describe the links between socioeconomic and political systems and second, by how well they distinguish the regions of "determinism" and "autonomy" in the political system. Although both of these books argue forcefully for a significant relationship between the economic and political systems, they are weakest when it comes to making these links and distinctions.

The overall goal of the Hollingsworths' book is to move urban political history to "a more theoretical level of analysis" by proposing systems for classifying mid-size cities according to "dimensions"—their community structures, economic bases, political cultures, public policies (as measured by expenditures) and so forth. They pursue this goal theoretically by proposing six "ideal types" of mid-size cities—in this case those with less than 250,000 population—uniting distinctive aspects of these dimensions. They attempt to establish these classifications in space and time by considering the development of these dimensions in three Wisconsin cities—Eau Claire, Green Bay, and Janesville —between 1870 and 1900, and by analyzing various statistical relationships between socioeconomic, electoral-political, and expenditure variables in 268 cities with between 10,000 and 25,000 population in 1900.

Their empirical analyses suggest that there is a strong positive relationship between a city's socioeconomic status and its governmental activity, and this provides an empirical rationale for their theoretical classifications. Indeed, their analysis of the expenditures among the cities in 1900 reveals—as have similar studies using more recent data—that "per capita wealth" best explains the variation in expenditure among these cities and that variables measuring political participation, party competition, or the type of electoral system "have virtually no (statistical) influence on any of the major kinds of municipal spending." This finding is confirmed by the patterns of policymaking the authors discover in the three Wisconsin cities. Although the activities of the public sector broadened considerably between 1870 and 1900, the political process was often dominated by "details of narrow social significance," such as contracts for schools and jails or the location of bridges and streets, while in the private sector, "economic dominants made the most important decisions about the local quality of life." These findings lead the authors to conclude that the electorate in these cities had participation without power, while local elites had "power without participation" and, therefore, that "political elite variables will be more helpful to us than electoral variables if our goal is to understand the way that social and economic variables get translated into public policy."

Primarily because they do not resolve the tension between "social science" and "history" which suffuses this book, the authors never really explain the "translation" process. On the one hand, the authors have defined and categorized an enormous amount of literature and data and produced many helpful generalizations. The most impressive portions of the book are undoubtedly those in which the authors carefully define their terms, their data, and their methodologies. On the other hand, they do not demonstrate satisfactorily the ability of their concepts to explain anything, because their typologies are at once too abstract and too familiar, their case studies lack sufficient detail, their statistical analysis suffers from a problem of circularity, and, finally and perhaps most damagingly, they have not included time as a variable in their analysis.

Having carefully defined the dimensions according to which they propose their ideal types, the authors fail to consolidate the typologies with examples and thus they become rather epigrammatic summaries of the vast, but relatively familiar "community power" literature. The abstraction of the typologies might have been forgiven had the authors satisfactorily substantiated them in their "empirical case studies," but their analyses of the cases are barely more than thumbnail sketches of developments in this period—albeit along the dimensions which they propose—which comment systematically, i.e., with measured variables, only on capitalization of firms, ethnic characteristics of heads of households, and occupational distribution in each city. The political dimensions of each case, which the authors claim are their major concern, are not considered systematically or in detail. They make no apparent effort to develop a measurable structure of politics or policy over time to accompany their measurements of the social and economic structures of the cities, and they do not analyze specific policy decisions in sufficient detail to support their contention of the overweening influence of elites on local public policy.

Missing from their discussion of their statistical work, finally, is a problem of great concern to the sort of cross-sectional analysis they are conducting: circularity in the wealth and expenditure variables. The per capita wealth variable which the authors employ as a socioeconomic meausure in both their analysis of expenditure patterns and their classification of cities according to socioeconomic status and governmental activity is not some abstract measure of a community's wealth, but is per capita assessed value, the estimate that the political system itself makes of the community's wealth available for the purpose of taxation. Since in most cities both the revenue and expenditure are based on this assessed valuation expenditure is, to some degree, merely a function of assessed valuation. Therefore, the relationship between these two variables is too close to say anything meaningful about socioeconomic and political variables other than that those cities which had a larger resource base in 1900 spent more funds.

Because of the generality of their case studies and their failure to link their dimensions more systematically, the Hollingsworths are left with this relationship between assessed value and expenditure in 1900 as their major finding. Unfortunately, this is not what historians want or need to know. More important than the relationship between these variables in 1900 is the pattern of their interaction with one another—and with their environment—over time, for it is, after all, the dimension of time which defines the historian's effort. Ironically, this is the one dimension in urban history which the Hollingsworths leave out: Their typologies are abstracted from time, their case studies are too superficial to deal with the texture of change over time, and time is not a variable in their statistical analyses. For this reason, historians will want to read this book for enlightening social science perspectives on historical research; they will not, however, find the historical perspectives they read here especially helpful.

On the other hand, in Alan Anderson's unpretentious little book, *The Origin and Resolution of an Urban Crisis: Baltimore, 1890-1930,* social science and historical perspectives have been combined to produce the most stimulating analysis of the development of the urban public sector yet written. This is, therefore, a book with which all urban historians should grapple. For two reasons most historians will find that they do, indeed, "grapple" with the book. To begin with, it applies the recently developed insights of urban economic theory to the historical development of the public sector in Baltimore and, as a result, has rather arid stretches of mathematical models. Anderson has worked hard to make these sections as accessible as possible, but they will repay only close and repeated readings. Second, because Anderson's stated intention is to shift the focus of historians from the politics of public sector development to the economics of that development, those used to the political perspective will find his unrelenting focus on economics both jarring and problematic; by the end of the book, in fact, it is clear that these events cannot be explained without more reference to politics than he provides.

Perhaps the best approach to Anderson's argument is through what he describes early on as his "fundamental" question: what brought about the urban crisis in the first place and to what extent was the crisis resolved by the programs of city government and to what extent was the crisis resolved by the programs of city government and to what extent by other developments? According to Anderson, nineteenth-century American cities walked a tightrope between the positive and negative aspects of the agglomeration economies they produced. On the one hand, increasing population densities and economic activities were the mainstay of their development, but on the other, the negative aspects—or externalities—of these agglomerations such as congestion and pollution, threatened to make the cities unlivable and thus undermine the basis of their economic viability. The private sector had neither the interest nor the incentive to deal with these problems and thus the public sector was called in to "internalize the externalities," to "do something" about the problems of congestion, and to provide services such as education to the urban population which the private sector would not.

But the public sector in Baltimore walked a tightrope of its own between demands for services and for economy and the situation was complicated even more by the increasing cost of an important factor in the production of those services: land itself. As Baltimore became more dense at its center the demand for land there increased, raising its price for all those who used it as a factor in production. The private sector reduced this cost by replacing land with, for example, capital, as in the case of multiple-story buildings. The public sector was not able to take advantage of this strategy, according to Anderson, because many municipal services required the use of large amounts of land and thus were produced with a fixed, low capital/land ratio. As density increased and along with it demands for services, so also did the cost of supplying these services; this cycle gave rise to the "urban crisis," defined by Anderson as "a period of rapidly rising costs in the provision of urban services."

To resolve this crisis in the short run and within the constraint of a reasonable local budget, urban politicians were required either to spend relatively less and let services deteriorate, or to spend significantly more in hopes of replacing some of the land with capital, as in the case of a switch in Baltimore from a land-intense to a more capital-intense sewerage system. According to Anderson, preprogressive politicians in Baltimore followed the first course, at least in part because they lacked the political legitimacy to authorize the spending entailed by the second. After the passage of a new city charter in 1898, progressives followed the second course.

In the long run, however, the crisis was resolved by neither strategy, but by a true deus ex machina: transportation innovation. The completion of a unified system of electric trolleys in 1899 and the widespread introduction of the automobile in the twenties lowered the costs of transportation in Baltimore, thus permitting individuals and businesses to leave the center of the city for more outlying areas. As a result, density in the center of the city began to decrease and this resolved the crisis by, first, reducing the demand for services (which had arisen from increasing density in the first place) and, second, reducing the cost of land as a factor in the production of those services. After rising steadily since 1880 and dramatically since 1900, expenditure began to level off in the 1920s, signifying that the crisis had passed.

This, at least, is what Anderson contends economic theory suggests, and it must be noted that Anderson's argument is intriguing in spite of the fact that it is exclusively theoretical. He makes no attempt to link economic change, transportation innovation, and expenditure change statistically, for example. His argument is reasonable, however, if one is willing to accept his fundamental assumption about the public sector: that the rising cost of land was the most important cause of the "urban crisis." There are, however, at least two good reasons to doubt the validity of this assumption. The first is that land had (and has) a peculiar relationship with the urban public sector as both a cost and a source of income; as the price of land increased, so did its assessed valuation for purposes of taxation and thus the city's resource base. Because assessed value rarely equaled market value, usually lagging behind it, it is doubtful that the cost and the benefit of the rising price of land balanced one another, but surely this mitigated the crisis somewhat, assuming that land was at its root.

The second problem with Anderson's assumption is that there is an equally likely culprit in the creation of the crisis: labor and the capital/labor ratio in the production of municipal services. The real problem that cities faced then, as now, was that their capital/labor ratio was fixed at a low level in services such as general government, education, fire, and police, which took the lion's share of the budget. How, after all, does one apply technology to education or policing in such a way as to reduce overall cost? According to Anderson's analysis of expenditure, between 1870 and 1900 the share of Baltimore's budget going for these labor-intense services grew from 25 to 44 percent of the total, and by 1920 the share remained at 42 percent.

These figures suggest that preprogressive politicians met simultaneous demands for services and for economy by hiring more personnel while minimizing capital and nonsalary operating expenses. Even assuming that the cost of individual inputs of labor was constant over time and across positions, however, this practice was bound to drive up total costs. Whether this resulted in a deterioration of services and "financial chaos" as the progressives charged and Anderson assumes, is not clear; Anderson presents no evidence to confirm it. It did leave the preprogressives vulnerable to charges of creating too many "places" on the city budget and of neglecting the city's capital improvements. The progressives attacked their predecessors on both counts, but did not solve the crisis of increasing expenditure. Indeed, they maintained the high level of commitment to personnel expenditure while at the same time increasing the total budget dramatically by making significant increases in capital expenditures. The progressives did, however, convince the electorate that municipal funds were better spent in their hands than in the hands of others.

In spite of his attempt to link the urban crisis of the Progressive era to economic factors, Anderson's careful analysis of the fiscal aspects of the crisis (whatever its root) and the competing political strategies for its resolution demonstrate that the crisis was not primarily economic, but rather political, because it concerned political legitimacy and the lack of it. It is not clear that the viability of the private sector was at stake in these years, but there can be little doubt that the public sector was in deep crisis. For some reason—perhaps because of the weight of its own contradictions, perhaps because of the propaganda of the progressives—the preprogressive fiscal system became paralyzed, lost its political legitimacy, and then collapsed in this period. Although socioeconomic structural variables can explain the accumulation of burdening demands and increasing costs on this system, they cannot explain either the loss of its political legitimacy or the timing of its collapse. For this explanation, one must turn from the region of determinism to the region of autonomy in the political system. At some point, such purely political factors as ideology and conflict, the necessity for political organizations to build coalitions, reward clients, and respond to constituencies must enter into the explanation of the origins and resolution of this crisis.

Anderson does not move into this region because he has defined the discovery of "political or ideological values" as beyond the scope of his research. The Hollingsworths, on the other hand, define "political culture" into their work, but would not recognize such a crisis because of their cross-sectional methodology and could not explain it because of their apparent lack of interest in the detail necessary to do so. Both books, moreover, ignore political conflict, legitimacy, and ideology to some degree because these factors cannot be measured and modeled as well as the quantifiable aspects of other social processes. Although one hopes that urban political history continues to be built on a strong base of social scientific measurement and the modeling of social and economic processes, it is certain that these processes alone will not explain political change. Indeed, if one wishes to explain political change, one must, to some degree, go looking for political explanations, and in the end join "politics" and "economics" in political economy.

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NOTE

1. Schumpeter's essay is reprinted in *International Economic Papers* 4 (1954), 5-38.