Decentralization and State-Rescaling: The Policy Experiments of Local Governments across the U.S. 2001-2008

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ABSTRACT

This paper examines decentralization as a form of state-rescaling and its relationship to policies of the local state. Over the past two decades, neoliberal proponents have actively promoted decentralized government assuming that a rescaled state will reduce the social safety net and unleash market forces. Historically, the U.S. remains one of the world's most decentralized systems, providing an empirical case where local governments have particular latitude to act in accordance with neoliberal principles in policy choice. We examine two dimensions of state rescaling, horizontal (contracting with private, non-government entities) and vertical (growth/decline of the local state activity), focusing respectively on privatization policies and policies pertaining to social welfare and economic development. We ask two sets of questions: 1) Are local governments privatizing public services, shedding social service responsibilities and becoming more entrepreneurial in economic growth? Has state-rescaling led to low-road neoliberal policy—or to different policy experiments? 2) To what extent is there territorial variation in policy decisions? Are governments in more politically conservative and free-market contexts more likely to adopt low-road policies? To answer these questions, we build from two perspectives, the longstanding macro-level political economy literature that anticipates decentralization creates a more homogenous spread of the neoliberal development model; and newer, critical literature on "state-rescaling" that anticipates varied patterns of policy adoption. Empirically, focus is on county governments, the fastest growing general purpose governments, now exceeding federal civilian government in employment size. Data are from secondary sources and a two-wave survey that allows comparisons between 2001 (a relatively affluent period) and the 2007/2008 period. These data provide the first general view of recent state-rescaling processes across the United States, with over half (N=1700) the nation's counties included. Findings show that counties are increasingly colonizing new arenas of public and social services. There is little evidence they are engaged in growth at the expense of redistribution activities (i.e., they are not privatizing and cutting services, while increasing private sector business development). Multivariate, random-effects models show counties in more neoliberal-like political economic contexts do not engage in lower road policies overall; rather, determinants of county policy are largely institutional attributes and pressures from decentralization. The findings of spatial variability and mixed/progressive policy adoption correspond more to expectations of the state-rescaling literature. We argue for the need to rethink conventional views of U.S. decentralization, views developed in the Keynesian period of more progressive central government. Under the legacy of federal-state Republican dominance, local governments were propelled toward undertaking more progressive policy initiatives.

INTRODUCTION

Over the past few decades, a fundamental transformation in the state has been observed in many nations. Decentralization of functions from central to lower levels of government is altering governance systems. A large literature views trends toward decentralization as part of a broader shift from a Keynesian era to a neoliberal era of governance with a leaner and meaner state (Brenner 2004; Jessop 2002b; Harvey 2005; Lobao and Hooks 2003).[1]

Sociologists tend to study state transformation by focusing on nations in their entirety (Jenkins et al. 2006). Yet neoliberal governance has an inherent subnational dimension. It entails shifting the functions of the state territorially, so states/provinces and local governments are activated--in theory and practice--to assume greater roles in economic growth and redistribution (Markusen 2001). Thus, Brenner (2004) argues the state as an institution is being "rescaled" with the rising importance of subnational governments across Western nations. Activating these governments is assumed to promote market entrepreneurship, privatization of services, and social safety net cutbacks, defining elements of neoliberal state transformation.

In the U.S. case, little is known about the recent response of local governments across the nation to this transformation. Growth in decentralized governance has been observed particularly from the Reagan presidency onward (Kantor 1995; Morrill 1999; Watson and Gold 1997), but the extent to which localities adopt policies consistent with neoliberal principles is explored by few nationally generalizable studies. In addition to its notoriety for its weak social safety net, the

[1] Neoliberal governance is usually defined by three attributes: a conceptual model of state institutional arrangements that elevates private sector interests over citizens' interests; the concrete deployment of this model through policies and programs; and as a historical, post-1980s period when neoliberal views from the Chicago School of economics and right-wing think tanks became increasingly influential in state policy (Lobao and Hooks 2003). Decentralization is a process of policy shifts whereby lower governmental units gain responsibilities, resources, or authority (Falleti 2004:328). It takes several forms: administrative, where localities have greater service delivery responsibility; fiscal, where localities gain greater revenue control, whether self- or centrally generated; and political–electoral, where localities gain political power.

U.S. is one of the world's most decentralized systems, granting greater autonomy to local governments to set policy and raise funds than other nations (Razin 2000; Stegarescu 2005). It provides a case where localities have particular latitude to act in accordance with neoliberal principles in policy choice. Even as the Obama administration shifts the tenor of U.S. governance, it builds on the decentralized system honed by its predecessors to deliver its stimulus package. Can we expect a high or low road performance from U.S. local governments?[2]

This paper addresses local governments' policy responses across the U.S. using newly available data for 2008. We ask two questions: 1) Are local governments adopting a package of policies involving competitive economic development, service retrenchment, and privatization consistent with neoliberals' low-road approach to governance? 2) To what extent is there territorial variation in policy adoption? For example, are poorer, southern, and Republican-leaning communities more likely to adopt privatization and pro-business policies while abdicating programs supporting citizens' welfare and the local social safety net?

To ground these answers theoretically, we situate them within two research traditions, the longstanding macro-level radical political economy school and more recent literature on "rescaling the state." The political economy school offers a critical indictment of the global movement toward neoliberal governance (Lobao and Hooks 2003; O'Brien and Penna 1998, Tornquist 1999). It sees decentralization as promoting low-road neoliberal policy choices, anticipating local governments will cater to business over citizens' interests in a subnational race-to-the-bottom. In contrast to this view of generically negative outcomes, the state-rescaling perspective stresses contingent outcomes: policy responses will vary due to localities' distinct institutional capacities, past policy development, and other attributes (Brenner 2004; Peck 2002).

[2] The $787 billion economic stimulus package signed by President Obama in February 2009 directly employs the state, county, and local bureaucratic apparatuses in place to deliver the package.

Policies associated with neoliberal governance may be incompletely adopted, adopted to a greater degree depending upon locally-distinct attributes, and/or exhibit other response patterns.

To empirically examine the local state across subnational territority, we focus on county governments now the fastest-growing general purpose governments (Benton 2002a; Lobao and Kraybill 2005). Nearly invisible in the political sociology literature, the number of employees in county government exceeds those in federal civilian government (U.S. Bureau of the Census 2008). Counties are particularly relevant to assessing relationships across subnational territory since they cover more residents than any governmental unit below the state-level, including municipalities. Our interest is policy-related activities, the provision of programs and services, conceptualized following other studies by the scope of activities undertaken on behalf of citizens and business (Basolo and Huang 2001; Clingermayer and Feiock 2001; Jenkins et al. 2006; Joassart-Marcelli and Musso 2005; Reese and Rosenfeld 2002; Warner 2006; Wood 2005).[3]

TWO PERSPECTIVES ON LOCAL GOVERNMENT POLICY RESPONSES

Numerous studies document the attributes of neoliberal governance systems emerging in the U.S. and other nations since the 1980s (Beland 2007; Brenner 2004; Marston and Mitchell 2004; Morrill 1999; Peck and Tickell 2002; Prasad 2006). The decentralized state is a cornerstone of neoliberal governance for several reasons. Philosophically, it captures neoliberals' stress on individual freedom, local and state governments forming a bulwark against the coercive federal state (Hayek 1960; Robin 2008). Decentralization also is assumed to reduce the state's overall scope. Local governments particularly face taxpayer and business pressures to cut social services

[3] Policy itself can be defined as the public activities governments undertake (Eisner et al. 2006:2). Like the studies above, we examine the scope (number and variety) of activities in different policy domains. This topic is not the same as assessing spending. Jenkins et al. (2006) discuss the differences between policy selection versus spending in their study of the scope of economic development activities undertaken by U.S. states. Expenditure data for government units below the state level (i.e. counties and municipalities) for social welfare and economic development does not exist systematically across the nation.

(Brennan and Buchanan 1980; Peterson and Rom 1990). Finally, decentralization tends to shift localities toward growth promotion activities, encouraging competition for global capital (Okun 1975). With competition, local governments become more efficient and promote business friendly policies. Thus, business incentive programs are a key part of the neoliberal package (Prasad 2006). In the U.S., local governments are seen as efficient administrators of these programs, as Jeb Bush (2006:3) as Florida's governor noted:

> Florida has become one of the strongest business climates in the world...But states and nations in competition with us for economic development opportunities also offer business incentives. It is imperative that we match our competitors by sometimes offering incentive to close the deal….it is our local communities [not the state of Florida] that drive the majority of our economic development and decide whether they want to be a financial partner by offering an incentive award to a company. Communities are finding that they benefit from increased capital investment. Our economic development plan is working.

The Local State and Low-Road Policy Responses: Radical Political Economy

An extensive critique of neoliberal governance has emerged from radical political economy (Albelda et al. 2001; Harvey 2005; Lo 1998; Peck 2001; Prasad 2006). This critique is largely macro-oriented, centered on how decentralization or "neoliberal localization" plays out in rather homogenous fashion across a nation-state. As Harvey (2005) argues, under neoliberal governance, governments at all scales mobilize their efforts toward business recruitment, cut the social safety net, and allow public jobs and resources to be cannibalized by the private sector.

From the political economy standpoint, decentralization is promoted under neoliberalism to benefit capital rather than to improve government by making it more efficient and tailored to citizens' needs (Razin 2000). Localities are likely to direct policy efforts toward private sector needs for several reasons. Relative to federal government, local and state governments inherently face greater pressures to cater to capitalists' interests (Hedge 1998; Logan and Molotch 1987). Further, as local governments become more autonomous and dependent on own-source funds, they are likely to divert policy efforts toward growth activities such as business attraction, at the expense of redistributive activities such as services for workers and the poor (Peterson 1995).

Local governments also may provide fewer social services in order to signal a better business climate and welfare magnet avoidance and to drive out residents with least potential to contribute to the tax base (Razin 2000; Schram 1999). Finally, U.S. local governments are a springboard for upward mobility, federal officials often serving in local positions first (Morrill 1999:6). This may add to locally-vested interests in aligning with federal-level neoliberal policy agendas.

While a low road policy response is generally expected across the nation, the political economy perspective suggests the race-to-the-bottom should be greatest where political economic conditions are more conducive to neoliberal governance, as in the regions known for elevating the interests of capital (Goodwin 2001; Jessop 2002). The south particularly provides an example where a weak social safety net and political culture including support for states-rights may foster neoliberal policy adoption (Schram 2006). Poor localities which include much of rural America also may be pushed into a neoliberal response package, cutting-back services as they devote resources to capturing mobile businesses and deal with insufficiently funded public services (Tickameyer et al. 2007). Thus a free-market, conservative-oriented political environment and the whip of poor economic conditions should strengthen low-road paths.

Low-Road Policy in Question: Recent Research on "Rescaling the State"

An alternative view of local responses can be developed from a relatively recent literature on "rescaling the state." Its concern is the manner by which state institutions, policies, and governance processes as a whole are reorganized across geographic territory in different stages of capitalism (Brenner 2004, 2009; Buchs 2009; Jessop 2002b; Kazepov 2008). This literature also builds from radical political economy but it revises earlier work in key ways to argue that territorial complexities in responses to neoliberal governance have been underestimated.[4]

[4] The state rescaling literature emerged from a confluence of distinct strands of research of the 1990s, as noted in recent reviews (Brenner 2009; Cox 2009). In brief, globalization research raised questions about local state

Most broadly, this literature questions whether relationships derived from macro-political economy frameworks about neoliberal governance hold isomorphically across localities in any given nation. Second, it takes a more complex view of policy responses, arguing localities combine vertical and horizontal activities in different ways (Buchs 2009; Falleti 2004; Kazepov 2008). Vertical activities denote decentralization's downward effect on local governments' direct invovlement in economic development and service provision. Horizontal activities denote links with nonstate actors such as through service-outsourcing or privatization. Unlike the macro-political economy literature, the state-rescaling literature leaves open the question of whether vertical activities (such as increased competitive economic development) and horizontal activities (such as outsourcing) coincide in a low-road, neoliberal policy package (Buchs 2009). Finally, the state-rescaling literature suggests broad political economic forces may be less important than local government institutional forces as determinants of policy responses. The activation of local governments under decentralization creates a greater role for their unique institutional arrangements, capacities, and bureaucratic world views to influence policy-making. Localities also are likely to follow path-dependent policy routes, whereby past policy selection carries forward to influence present responses (Brenner 2004). Decentralization itself creates new pressures that are not uniform across localities.

The state-rescaling literature suggests a policy response path that is more mixed from the conventional low-road account. First, localities may not be adopting a uniform neoliberal-oriented policy package. Second, external political-economic conditions seemingly conducive to neoliberal governance, such as right-wing political climate, southern location, and poor

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responses in the wake of potential declines in nation-state autonomy. Research on capitalist regulation examined the regional unevenness of post-Fordism which entailed attending to the subnational state. Research on welfare policy documented the advocacy of devolution to lower governmental units, with the goal of cutting the social safety net. Current research on state rescaling often responds to the previous research areas but it has become a more amalgamated body of work.

economic conditions may play a lesser role in policy responses as compared to local government institutional attributes including past policy choices and unique pressures created by devolution. Thus, Brenner and Theodore (2002: 375) argue against a “linear transition” to neoliberal local government.

Finally, the rescaling literature opens the possibility of *progressive* responses to neoliberal governance. Insofar that decentralization places responsibility for redistribution on local governments, they may act more autonomously, increasing activities benefiting citizens at large including the poor. Policy trade-off effects whereby local governments cater to business while cutting social services thus may not be found. By and large, critiques of neoliberal governance emerged as a contrast with the Keynesian-period when the federal state was more progressive and when states’ rights and decentralization were promulgated to curb social justice. As the federal government became more neoliberal in character, states and localities have experimented with programs aimed at strengthening the social safety net (Freeman and Rogers 2007). In short, older assumptions about decentralization’s association with leaner, meaner local government may no longer hold. Indication of such a shift is found in research on “progressive federalism” a policy perspective arguing state and local governments can lead the way on social welfare, environmental, and worker protection initiatives (Freeman and Rogers 2007). President Obama reportedly shares this policy perspective (Schwartz 2009).

EMPIRICAL RESEARCH ON LOCAL GOVERNMENT ACTIVITIES

Relatively independent literatures exist on local governments’ economic development activities, public (including social) service activities, and privatization. These literatures share commonalities including limitations and similar causal determinants. In the U.S., nation-wide examination of local government activity is limited due to existing data. The major source of secondary data, the U.S. Census of Governments, contains little information about services directly provided by municipalities/counties and what does exist is inconsistent in national coverage. To examine local services and other policy-related activities, analysts typically collect primary data through surveys of government informants. Nearly all these surveys are cross-sectional and/or state specific with nation-wide surveys suffering from low response rates.[5] As a consequence, trends are difficult to establish. No nationwide study has examined whether economic development, service, and privatization policies coincide in a low-road policy package. Finally, determinants of local service policy are complex (Jeong 2007). In the case of service privatization, for instance, there are detailed proximate determinants that come from localities' cost/benefit calculations, monitoring capacity, and availability of contractors. These proximate determinants can only be fully assessed by small-sample studies collecting such detailed information. Our interest, however, is trends across the nation and particularly whether broad political economic conditions affect service policy.

Studies of local government activity identify similar causal determinants corresponding to those anticipated by the macro-political economy and state rescaling perspectives. As noted, the former perspective views external political economic conditions as major determinants while the latter gives greater attention to local government institutional attributes. Respective empirical literatures on local economic development, service provision, and privatization, all consider political economic and institutional variables as key determinants (although the repertoire of these variables is limited). We review the collective findings of these literatures below.

External Political Economic Context

[5] The most commonly used data-set for studying service provision across localities is produced by the International City/County Management Association (ICMA) using surveys of local government officials. However, ICMA surveys are cross-sectional, focus on large municipalities/counties, and response rates are about 30-35%.

Researchers have long hypothesized that the external political economic context surrounding U.S. local governments affects their activities. The general relationships posited are that in places where economic conditions are poorer and conservative political views more widespread, lower road responses (i.e., greater competitive economic development activity, fewer services, and greater privatization) should be more likely. Most research focuses on economic conditions and economic-related attributes such as urban-rural location. Studies tend to show that the number and variety of public services, including social services, provided overall is lower in poorer counties or other localities which also tend to be more rural (Benton 2002; Lobao and Kraybill 2005; Reese and Rosenfeld 2002; Warner 2006). Although poorer and/or rural localities face greater need for public services, their tax base is weaker and they are less likely to have organized interest groups demanding services (Clingermayer and Feiock 2001). With regard to economic development activity, researchers commonly hypothesize that economic need drives poorer and rural localities to adopt lower road policies. Reviews of past studies (Fisher and Peters 1998; Reese and Rosenfeld 2002), however, note that while researchers often expect distressed localities to use a greater number of low-road, competitive economic development policy tools such as tax abatements and other external business attraction activities, empirical findings are mixed. [6] Studies failing to support the low-road hypothesis note that poorer and rural localities may be too weak to mobilize resources needed to pursue economic development activities (Lobao and Kraybill 2005; Reese and Rosenfeld 2002).

[6] Recent studies using community poverty as a determinant highlight these mixed findings. In a survey of officials of 350 U.S. and Canadian cities, Reese and Rosenfeld (2002) found that the municipal poverty rate was related to greater use of three out of six economic development policy tools, of which only one (financial incentives) was a traditional competitive activity. Surveys of officials in counties (Dewees et al. 2003) and municipalities (Sullivan 2002) have found the local poverty rate associated with a greater number of both competitive low-road and higher-road local business oriented economic development tools. Using simulation models, Fisher and Peters (1998) conclude that firms based in poorer localities do not make greater use of industry-specific tax breaks.

Finally, analysts have long questioned whether governments of poorer localities engage in greater service privatization, typically measured by analyzing the proportion of services delivered by the private/nonprofit sector (Clingermayer and Feiock 2001; Deller 1998; Joassart-Marcelli and Musso 2005; Hirsch 1995a,b; Prizzia 2003; Wood 2005).[7] On one hand, poorer local economic conditions are expected to increase pressures to contract-out services as governments are hamstrung by a weak a tax base, a finding reported in some past studies (see Deller 1998). By contrast, more recent analyses find greater contracting out in localities where economic conditions and urbanization are higher (Deller, 1998; Warner 2006; Wood 2005). These researchers argue such localities are more attractive markets for both private and nonprofit entities, while poorer and rural localities have more difficult to serve populations. Further, more affluent localities tend to utilize privatization as a policy tool for expanding service offerings.

The macro-political economy perspective suggests lower-road policy paths are most likely to be taken in political contexts sympathetic to neoliberal policy agendas where capitalists' interests are more elevated. In the U.S. case, this should include the south, Republican-leaning areas, and areas with a weak industrial working class. Analysts have long noted that southern and more conservative states have a weaker social safety net (Moller et al. 2009; Rodgers et al. 2008; Quadagno 1994) and provide fewer public services (Rodgers et al. 2008; Schram 2006). With regard to lower-road business attraction, Jenkins et al. (2006) found Democratic-leaning states engage in fewer industrial recruitment activities but no differences between southern and other states. Areas with a smaller industrial working class may provide a political context supportive of lower road social policy although not necessarily economic development policy. Counties

[7] Winston et al.'s (2002) detailed review of privatization studies notes that in practice, the impacts of contracting-out do not vary much by whether the contracting agency is a private firm or non-profit institution and conceptual/empirical discussions of local service provision typically combine the two. Most outsourcing by local governments is to nonprofits.

with a smaller share of manufacturing employment tend to have higher income inequality which may be due to weak working class pressures on the state to support the poor (Lobao and Hooks 2003). While lower manufacturing employment is expected to weaken the scope of social programs, it could also reduce business attraction activity as found in some studies (Jenkins et al. 2006; Fisher and Peters 1998). Working class pressures to reindustrialize thus may steer otherwise progressive localities to lower-road business recruitment activities.

With regard to service privatization, researchers posit an association with conservative political context, but empirical evidence is weak. Hirsch (1995b) and Joassart-(Marcelli and Musso 2005) found no association between Republican voting and contracting out public services in cities. Price and Riccucci (2005) found in contrast to their hypotheses, that liberal-leaning states have greater prison privatization. They note Democrat-controlled legislatures may pursue privatization to appeal to tax-resistant groups. Hirsch (1995a:460) reports less contracting out of public services in the south than other regions.

In sum, researchers have long viewed external political economic conditions such as poverty and conservative political context as determinants of local activities. However, evidence is mixed as to whether these determinants systematically induce low-road responses.

Internal Institutional Factors and Decentralization

Studies of government activity also stress internal institutional determinants, such as local government capacity, relationships with class actors, and past policy responses. Researchers often contrast these internal determinants with those above on external political economic context (Reese and Rosenfeld 2002). The former are viewed as to some degree under local governments' control, not purely reducible to external political economic conditions.[8]

[8] For example, county fiscal capacity (own-source revenues to expenditures) has been found to be higher where poverty is higher, suggesting governments of poorer counties better balance budgets but do so by limiting spending

Local government capacity is usually conceptualized as administrative and fiscal attributes that strengthen localities' ability to formulate policy and deliver services (Basolo and Huang 2001; Jeong 2007; Reese and Rosenfeld 2002). These attributes are assumed to increase activity overall and promote better decision-making. County and municipal governments with larger, more professionalized staff, and greater fiscal autonomy (such as own-source funds) tend to provide a greater number of public services, including services for workers and the poor (Benton 2002; Jeong 2007; Lobao and Kraybill 2005; Reese and Rosenfeld 2002). Greater administrative capacity, however, also appears associated with greater competitive economic development and privatization activity in contrast to expectations that "weak" bureaucracies are more likely cater to private sector interests. For example, local governments with larger, more professionalized staff are found to engage in greater service outsourcing (Warner 2006; Jeong 2007) and economic development activity of all types (Reese and Rosenfeld 2002). Governments with greater administrative capacity are thought to engage in these activities because they have greater: ability to adjudicate and monitor business contracts (Warner 2006; Jeong 2007); professional staff interested in formulating programs of all types (Clingermayer and Feiock (2001:61); and expertise in balancing budgets Deller (1998). Finally, where local governments provide more services overall, contracting out is higher (Clingermayer and Feiock 2001:65-71).

Local governments' institutional arrangements are also reflected in established relationships with class actors, particularly business and labor, and in past policy responses. Researchers have long documented the manner by which local business sectors spur communities' economic development (Logan and Molotch 1987; Reese and Rosenfeld 2002) and privatization decision-

(Johnson et al. 1995). The literature on local institutional determinants directly fits with our scale of analysis and with the state-rescaling perspective. For those reasons, we build on the local-level institutional literature. While some of this literature parallels political sociology's national-level, state-centered tradition (e.g. Skocpol and Amenta 1986), it also stresses class interests in formulating policy; thus it straddles both the state-centered and class-centered accounts conventionally applied to nation-state policy (see also Jenkins et al. 2006).

making (Deller 1998). In terms of labor, public sector unions appear to have a contradictory effect, increasing activity but also privatization. On one hand, a more highly unionized government work force indicates greater administrative capacity and pressure to protect jobs, so local governments should undertake more activities. On the other hand, empirical studies tend to find unionization related to greater service outsourcing (Clingermayer and Feiock 2001; Deller 1998). Reasons given for this latter finding are that: private sector employers using lower paid workers can more easily compete with unionized local governments in providing services; and local officials seek to reduce costs by avoiding union labor (Deller 1998; Hirsch 1995 a,b). The institutional legacy of past policy responses is considered a key determinant of activity but it is not well-explored empirically due to the need for cross-time data. Analysts observe that local governments sponsoring certain policies in the past continue to do so because these become built into bureaucratic operations creating "path dependency" in activity (Reese and Rosenfeld 2002).

Finally, the state-rescaling perspective suggests local policy responses should depend on unique pressures experienced under decentralization such as mandates from state and federal governments, cutbacks of state/federal funds, and competition with other local governments (Brenner 2004). Researchers have not attended systematically to how these pressures affect a range of activities. Some pressures such as cutbacks of funds may reduce service activity, while others may spur more activity. For example, some studies report that devolution of the TANF (welfare) program to counties led to increased social service and economic development activity in the late 1990s as counties gained greater fiscal autonomy (Lobao 2007; Tickamyer et al. 2007). Economic competition among localities is associated with greater use of business attraction activities (Fisher and Peters 1998; Reese and Rosenfeld 2002), but its impacts on social service and privatization activity is unclear.

Expected Relationships

The macro-political economy and state-rescaling literatures, while both grounded in radical political economic thought, emphasize different response paths under neoliberal governance. The formers suggests a low road policy response package, composed of greater use of competitive economic development activities, fewer public, particularly social service activities and/or service retrenchment, and greater service privatization. This path is expected across the nation but should be greatest where external political economic conditions are most conducive to neoliberal governance. The state-rescaling perspective suggests a potentially mixed policy package and anticipates a greater role for internal institutional determinants such as local government capacity and past policy responses, and for pressures introduced by recent trends in decentralization. Previous empirical studies have stressed both external political economic and internal institutional determinants of local policy. Our empirical analyses evaluate both sets of determinants along with measures of decentralization little considered in past work.

DATA FOR THIS STUDY

Counties govern more U.S. residents than any substate government including municipalities. Of the contiguous states, forty-six (including Louisiana parishes) have functional county governments. Counties are the fastest growing general purpose governments (Gold 1996:282; Lobao and Kraybill 2005:246). From 1982 to 2002, employment grew by 49.6% for county governments, by 35.5% for states, and by 24% for municipalities, while federal employment declined by 5.5% (U.S. Bureau of the Census 2008). County government employment (2.73 million) now exceeds that of federal civilian government (2.69 million).

This study uses primary and secondary data to examine a large, nationally representative sample of counties over time. Primary data are used for policy-related and other variables unavailable from secondary sources. These data were collected in Fall 2007-Spring 2008 from a survey of county governments conducted under the auspices of the National Association of Counties (NACo), counties' major professional organization (similar to the U.S. Conference of Mayors and National Governors' Association). These data (henceforth refer to as 2008) are from a second wave survey designed to capture policy change as the U.S. economy moved into recession. The first wave survey was conducted in 2001, prior to September 11, a prosperous time nationally and for local governments. The 2008 survey follows the same methodology as the 2001 first wave (detailed in an earlier study by Lobao and Kraybill 2005) and is briefly noted here. NACo identified a list of county officials to report on policies and programs in place. These were county commissioners, managers or other executives who are established informants for NACo surveys. Surveys were mailed to approximately 3000 counties in the forty-six contiguous states where counties are functional governmental units (Connecticut and Rhode Island counties do not have administrative functions). Dillman's (1978) survey methodology was followed. The response rate for the 2008 survey was 60% with 1756 responding counties. A total of 1025 counties responded to both the 2008 and 2001 surveys.

This methodology of collecting otherwise unavailable government data through surveys of officials is routinely used by ICMA, the National Governors' Association, and the U.S. Conference of Mayors, and independent researchers (e.g., Basolo and Huang, 2001; Clingermayer and Feiock 2001: Reese and Rosenfeld 2002; Sullivan 2002). Government surveys have limitations. Wolman (1996) notes they mainly allow construction of dichotomous variables such as use or non-use of a policy tool or activity and argues that items reflecting a range of responses should also be included. Thus, where possible, we also measure policy activity by denoting the degree to which government use of the tool/activity grew or declined in the previous five years. These and other survey items also may introduce response biases that cannot be readily avoided. For the analyses presented below, we tested for two types of response bias, bias due to characteristics of nonresponding counties and to responding officials' characteristics. These tests yielded no evidence of systematic bias.[9] Data generated by the surveys are to our knowledge, the only nationally-generalizable information about economic development, service, and privatization activities across the same counties over time, providing a rare view of county policies. Descriptive statistics for all variables are shown in Table 1.

Measures of Policy-Related Activity

Competitive economic development. Researchers have long viewed competitive economic development activities such as external business attraction as a lower road policy strategy, distinct from activities designed to improve local small business and workers' human capital (Fisher and Peters 1998; Reese and Rosenfeld 2002; Sullivan, 2002). These studies generally conceptualize the number of policy tools reported in use as an indicator of local competitiveness, but no standard of menu of these tools are employed across studies. We measure *economic development activity* using a menu of seven common business attraction policy tools: tax abatements; tax increment financing of infrastructure; loans for grants to exporters; subsidized loans to businesses; national advertising of the county as a place to do business; national travel to recruit new businesses; and travel outside the U.S. to recruit new businesses. Two sets of indexes were created using these policy tools. The first is a count of use (1) or non-use (0) of the activity. The second measures a range in effort: officials were asked to report whether their county over

[9] To examine response bias, we used logistic regression with response-nonresponse as the dependent variable with major county attributes, poverty, unemployment, population size and region as independent variables. Counties responding to the survey did not differ significantly from nonresponding counties; as the response rates are high, this is to be expected. We also regressed the 7 dependent variables on county officials' education, age, gender, length of time in county employment, and elected/appointed status along with several variables measuring the officials' own policy stance (e.g. views of county spending). There were no statistically significant differences across the models.

the past five year increased use of the tool/activity, provided the tool/activity at the same level, or decreased the activity. We created a count of reported increases. Few counties (under 3%) report decreasing any activity while increases in any one activity ranged from 2% to 28%, reflecting counties' growing economic development role. To ensure the seven components of each index are measuring the same domain of activity, we used confirmatory factor analysis to test for a one-factor solution. For the use/non-use index and for the increased activity index, each set of respective items loaded on single factor indicating the items are highly inter-correlated and can be combined into a reliable index.[10]

Social and general public services. In a review of service policy literature, Starke (2006) notes retrenchment has been measured using the number of services provided, failure to increase services, and direct cutbacks. We measure social service activity using ten programs: childcare; drug-alcohol rehabilitation; elder care; homeless shelter; housing assistance; mental health programs; nutrition programs; senior citizen programs; public housing programs; and shelter for battered persons. Two sets of indexes are created in the same manner as described above for economic development policy, confirmatory factor analysis establishing their unidimensionality: the first index is a count of the use (1) or non-use (0) of the activity; the second is a count of reported increases over the past five years. In contrast to the macro-political economy literature view of local state responses to neoliberal governance, the number of counties reporting increasing any one social service activity (from 10-30%) far outweighed those reporting any decreases (at most 5%). Cronbach's alpha coefficient is alpha=.933 for the social service activity total index and alpha=.752 for the social service increase index. Finally, since cutbacks of any

[10] For each index described, all variables loaded on a single factor, with loadings at 0.50 and above. Cronbach's alpha coefficient was .781 for the total number index and .562 for the increased measure. Summated indexes based on the raw values (0/1) were then created, following other studies (Basolo and Huang 2001; Clingermayer and Feiock 2001; Reese and Rosenfeld 2002; Sullivan 2002).

services are few, we created a dichotomous variable measuring whether or not any one out of a menu of 21 general public services was cutback.

Privatization. Following past studies, we measure privatization by the proportion of services provided where contracting-out occurs. For a menu of 21 general public services above, reports were tallied to the item "Does your county contract with any private companies or non-profit organizations to provide the following services?" The mean proportion of contracted-out services is 23%, similar to earlier studies (Prizzia 2003; Warner 2006).[11] Solid waste removal is most frequently contracted out. We also measure the presence of a recent privatization event. This is a simple, dichotomous item used in past ICMA surveys that asks whether "in the past five years your county privatized any of its services?" with 14% of counties responding affirmatively.

Independent Variables

We employ four sets of independent variables: the external political economic context in which county government is located; government institutional-related attributes; decentralization related pressures; and standard sociodemographic control variables. Variables from the most recent, causally prior data sources are selected.

External political economic context. The macro-political economy perspective suggests that conservative political context and poorer economic conditions strengthen neoliberal governance and low-road policy paths. Political context is measured by five variables. First, we tap general, state-level *neoliberal governance context* using the Economic Freedom Index produced by the Pacific Research Institute (2008) and Forbes. The index is used by economists to appraise each U.S. state's regulatory and fiscal power and is composed of 143 indicators along five domains: fiscal burdens, regulatory practices, judicial system, government size, and welfare. We use the

[11] Counties could indicate both county and private-sector/non-profit provision of any one service. At most, about 10% of counties listed both response categories (county and non-government) for any one service.

composite scores from the 2004 index since it is prior to the outcome variables with it scores ranging from low (absence of government power or for our purposes, high neoliberalism) to high (high government power or low neoliberalism). County-level political context is measured by: *the percent Republican voting* in the 2004 election; the proportion of *employment in manufacturing* (a proxy for working class strength with data from the 2000 Census of Population); and *voters' views of county-spending*, a single item from the 2008 survey where officials report whether voters desire spending cutbacks (0), maintaining current levels (1), or need for increased spending (2). We also include whether or not the county is located in a *confederate state* which taps past history of state's rights in addition to present political context.

To measure economic-related conditions, we use the county's *family poverty rate* and *metropolitan location* (metropolitan county, nonmetropolitan county adjacent to a metropolitan area, or nonmetropolitan nonadjacent county). The most recently available data for these variables are from the 2000 Census of population.

Internal institutional attributes. Local government institutional determinants include government capacity, relationships with class actors, and past policy responses. Government capacity is measured by standard administrative size, staff and fiscal resources that in principle strengthen localities' ability to deliver services (Basolo and Huang 2001; Reese and Rosenfeld 2002). Government size is measured by the number of full-time employees. An *elected or appointed county-manager*, a measure of centralized leadership (Jeong 2007) and the presence of *grant-writer on staff* (essential today to compete for external funds) reflect professional staff capacity. The previous variables are from the 2008 county survey. Fiscal capacity variables are from the 2002 Census of Governments: *the ratio of general revenue to general expenditures*, a conventional measure of fiscal stress (Reese and Rosenfeld 2002: 91); and to measure fiscal autonomy, the *ratio of state and federal to own source revenue*. Finally, we examine county capacity relative to other (e.g. state and municipal) governments by taking proportion of services existing in the county where county government itself is the lead-local provider. Two key institutional actors in county government are examined, business and unions. Using the 2008 survey data, we use officials reports of *business influence* on the "county's economic development agenda" (measured on a scale from 1 (little or none) to 4 (high) involvement in agenda setting; and the proportion of *unionized county employees*. *Past policy responses* are measured using 2001 value for the dependent policy variables noted above.

Recent decentralization. As noted, few studies have appraised the degree to which recent decentralization-related pressures impact policy. Using the 2008 survey data, we create an index of *devolution-related pressures* by summing responses regarding four pressures counties' experienced in the past five years (loss of federal revenue, loss of state revenue, mandated costs from federal and state governments, and state revenue/expenditure limits. Each component of the index is coded 3 (very important problem), 2 (somewhat important) and 1 (not important). Cronbach's alpha coefficient for the index is .77. *Welfare devolution* is measured by the county's location in state that devolves welfare to the county. Finally, since increased local competition is part of decentralizing trends, we employ a dichotomous variable from the 2008 survey indicating whether or not in the past five years the county experienced competitive bidding from other localities to attract businesses.

Local population attributes. Variables used primarily to control for other county conditions include the percent of college graduates, population over age 65, Latino population, black population, and population size (logged). These variables are from the Census of Population.

ANALYSIS

Relationships among Policy Variables

Descriptive statistics are presented in Table 1. Are counties' employing a neoliberal package of policies? Bivariate relationships among policy variables (shown in Table 2) are low and do not suggest a consistent neoliberal policy package. For example, competitive economic development, as indicated by business attraction variables, is not associated with service retrenchment but rather with social service increases. Business attraction variables, however, have small but significantly positive correlations with privatization measures. Although counties are not employing a consistent set of neoliberal policies in 2008, it is possible that movement in the neoliberal direction has occurred over time as the national economy deteriorated. Using data from the 2001 for the same counties (N=1025) we tested for policy changes between both time periods (see Table 2, last column). In 2008, counties engaged in slightly fewer business attraction activities with no change in social service activities. Counties in both 2008 and 2001 reported much greater increases (relative to decreases) in economic development and social service activities, but rates of increases were slightly lower in 2008. Privatization appears to have slowed. Service cuts did not increase significantly in 2008. In sum, findings indicate little movement toward a neoliberal policy package over time.

Multivariate Analysis

Multivariate analyses demonstrating the effects of the external political economy, county institutional-related factors, and decentralization variables are shown in Tables 3-6. For these analyses, we used mixed effects regression models which treat state-specific intercepts as a random component of the error term. There are several reasons for this approach. Since counties are embedded in states, state-to-state variability exists in the data. This introduces potential heterogeneity bias whereby unmeasured state-variables may bias coefficients. We also tested for this bias using Lagrange multiplier tests, which indicated use of ordinary-least squares regression would result in significant bias. Finally, our models include several key state-level variables of interest, making random-effects models necessary since fixed-effects models would cancel out effects of these state variables.

Other analytical issues should be noted. We tested for collinearity with variance inflation factors indicating no high collinearity in any model. We examined potential interaction effects particularly focusing on political economic variables. Few significant interaction effects with no consistent pattern across models were found. We experimented with different variants of independent variables. To examine the impacts of past policy, we include lagged policy variables from the 2001 survey, conducting Hausman tests to check that no significant endogeneity exists in these models. Finally, unlike standard Census-based studies of contiguous bordering counties, we employ a non-contiguous sample where additional spatial statistics are not directly pertinent.

Discussion below on the effects of external political economic variables, internal institutional attributes, decentralization-related pressures, and past policy. In Table 3, model 1 (column one) presents results for the number of traditional business attraction activities utilized in 2008. Overall, external political economic context variables have little relationship with business attraction, with only manufacturing employment significant: counties with larger share of workers in manufacturing use a greater number of business attraction tools, a finding expected from past empirical work (Fisher and Peters 1998; Jenkins et al. 2006). By contrast, government-related institutional variables are more closely connected with business attraction. Capacity variables show larger governments, those with more professionalized staff (county manager and grant writer) and those with greater capacity relative to other local (e.g., municipal) governments use more business attraction tools. These findings correspond with the state- rescaling perspective and empirical research noting that government capacity increases all types of activities and yields better monitoring of business attraction. In terms of capital/labor actors, local business and unionized county employees are related to greater use of business attraction. While business influence on local development activity has long been noted (Logan and Molotoch 1987), our findings are unique in showing that unionized employees may create similar pressures toward economic growth. In terms of pressures related to decentralization, greater competition from other local governments for business is related to an increased scope of activities as expected, but no other variables are significant.

In Table 3, model 2 (column two), we include the lagged variable for past (2001) economic development activity, measured as a count of business attraction tools. Its significant effect suggests path dependency in policy-making: counties that used a greater number of business attraction tools in 2001 continued to do so in 2008. In this model, remaining findings are similar as to the first (non-lagged) model, with the exception of Republican voting which is now significant and in the direction anticipated by the macro-political economy perspective.

Table 3, models 3 and 4 (columns three and four) use the second variant of the dependent variable, a measure of effort or count of policy tools whose use is reported to have increased in the previous five years (i.e., since 2003). Findings for model 3 are quite similar to those shown in model 1. Model 4 adds the lagged dependent variable for policy tool increases. The lagged variable is not significant, indicating that more temporally distant (i.e., 1990s) business attraction efforts had little effect on efforts made in the post-September 11th economy.

Models for social service activity are presented in Table 4. Model 1 (column one) shows only one significant finding for the external political economy variables: counties located in a more neo-liberal-like state context provide fewer social service activities. This finding supports the macro-political economy perspective that anticipates transference of neoliberalism across territorial scales. However, internal local government-related institutional variables are more closely connected to social service provision. Capacity variables are particularly important: smaller, less professionalized staff (absence of a grant writer, key to competing for devolved social service funds), and weak capacity relative to other governments are related to fewer services provided. Less unionized counties provide fewer social services, as expected. We also find that a weak business sector depresses social service provision. While not anticipated, this finding provides potential evidence of a "Wal-Mart" effect, where local employers may have vested interest in government subsidization of social services to offset low-wages. Devolving welfare to counties tends to increase the number of social services provided.

In Model 2, we add two lagged (2001) policy variables, the number of social services provided and business attraction tools used. The later policy variable is added to evaluate claims from the macro-level political perspective that competitive economic development depresses social service activity. We find no evidence of these presumed trade-off effects. Evidence of path dependency is shown, with the number of social services provided in the past significantly related to those provided in the future. Models 3 and 4 present relationships for increased effort in social service provision in the past five years. Overall, findings are similar to the previous two models. Political economic variables have little effect on social service provision while government capacity variables have greatest effect. Past county effort directed to social services significantly influences future effort while past business attraction efforts have no influence on future social service provision (model 4).

In Table 5, random-effects logistic regression models are presented for service cuts, a categorical variable since few (22%) counties report cutting-back any of 21 services. Two external political economy variables are significant, but not in the direction anticipated by theory. Republican-leaning counties were less likely to experience a service cut, challenging a view that retrenchment policies per se are pursued more by governments in these areas and indicating support for local government delivering services at market-desired levels. Metro as compared to remote rural counties were more likely to experience a service cut. Since the latter have more bare-boned governments overall (Lobao and Kraybill 2005), they may have less discretion to cut a service without harming basic population needs. Capacity variables show that as county's roles as main service providers increase, so does likelihood of a service cut; this suggests a churning process whereby counties providing more services in turn are faced with cutting more. Unionization increases the likelihood of a service cut. This finding is similar to some empirical research on privatization (Clingermayer and Feiock 2001; Deller 1998) that finds unionized governments face pressures due to higher labor costs. Finally, devolutionary pressures (e.g. loss of state/federal revenue) are significantly related to service cuts, as anticipated. Model 2 shows generally similar relationships as model 1, with the addition of two past policy variables, service cuts and the number of business attraction activities. A past service cut is not related to a future one, suggesting a service cut is random as would be expected from the few cuts reported. Model 2 shows that business attraction does not introduce subsequent service cuts.

The models for privatization are presented in Table 6. The proportion of services outsourced to private and non-profit contractors is shown in the first two models (columns one and two). Model 1 shows that political economic variables do not exhibit patterns anticipated from the macro-political economy perspective. More highly Republican areas have less outsourcing. Further voters' desire for *more* rather than less spending on county services is related to governments' outsourcing, suggesting that privatization is an effort to expand the scope of service provision. As in other studies, greater government capacity in terms of size and expertise (elected/appointed manager) is related to a higher proportion of services outsourced, potentially because monitoring contractors and policy innovation is greater. Strong direct county service provision relative to other governments is related to less outsourcing, as would be expected. Pressures from devolution and business competition appear to divert direct service provision to non-government providers. Model 2 (column 2) includes the proportion of privatized services in 2001. This coefficient is significant, indicating counties' past experiences with outsourcing influence future paths. In this model, the coefficients for Republican voting and devolution pressures remain in the same direction as in model 1 but are no longer significant. Location in a confederate state is related to significantly less outsourcing, in contrast to expectations that market-fundamentalism would guide service delivery more in these states. However, insofar that outsourcing seems to be used by counties to produce more or innovative services, findings for both confederate-state and Republican-leaning locations suggest a less activist policy agenda.

The third and fourth model (Table 6) present mixed-effects logistic regression analyses for a privatization event in the past five years. As shown in model 3, a neoliberal-oriented state climate is related to lower likelihood of a privatization event, in contrast to a view that local government functions are more at-risk in this context. Capacity variables (size, elected/appointed manager), and devolution pressures are related to a privatization event in a similar manner as found in the models for service outsourcing. Business influence and a more highly unionized workforce are related to counties' having experienced a privatization event, findings expected from empirical studies. Model 4 adds the past policy response variable for 2001. Counties experiencing a past privatization event are slightly more likely to report a future one (p=.06).

CONCLUSIONS

Critics and proponents of neoliberal governance assume that activating local governments to fulfill growth and redistribution functions results in policy responses that cater to capital and reduce the social safety net. To evaluate this view, we build from two alternative frameworks. The macro-political economy critique of decentralized government emerged largely during the Keynesian period of large central government and stronger social safety net. In this period, “states’ rights” and other expressions of local/subnational autonomy too often became tools of oppression. The macro-political economy perspective anticipates a relatively homogenous spread of low-road policy that should be greatest in settings where neoliberal governance is most developed. We contrast this perspective with recent literature on state-rescaling which questions the isomorphic transfer of the neoliberal governance model. It suggests that local governments may be employing mixed, even progressive programs and policies. As local governments gained greater autonomy in a decentralizing system, their unique attributes, including institutional features and past policy decisions, have become particularly important in whether they take a high or low road response.

To empirically evaluate the two positions on local governments’ response path, we use primary and secondary data from county governments across the nation. While providing (to our knowledge) the most comprehensive and recent view of these governments’ policy-related activities, this study has limitations. As noted, surveys are the customary mechanism of collecting data on local policy and other variables for which secondary data do not exist. They provide a broad view of conditions but they depend on officials’ reports and are limited in the detail of information, issues addressed earlier.

The findings challenge conventional views of decentralization and provide greater support for the state-rescaling position. In contrast to the hopes of neoliberal advocates and fears of macro-political economy theorists, we find that across the U.S., the local state is not pursuing growth at the expense of redistribution. Correlations between economic development, social service, and privatization variables provide little evidence that local governments are adopting a package of neoliberal policies. Multivariate findings show that use of competitive economic development activities is not associated significantly with decreased social service provision or with general public service cuts over time. Changes in county activities from 2001 to 2008 also are not in keeping with a dramatic embrace of neoliberal governance that might be expected as national economic conditions deteriorated. By and large, counties are colonizing new service policy arenas rather than cutting back on their responsibilities to the public and the poor.

Moreover, even in geographic settings more conducive to neoliberal governance, we find little evidence that local governments are more likely to take low-road paths. Republican voting, location in a former confederate state, and state-level neoliberal-orientation, had little impact on policy choice, and when they did, relationships (particularly for Republican voting) were just as likely to be in the opposite direction as anticipated by theory. By contrast, internal institutional attributes, particularly government capacity and business and labor actors, are most associated with policy-related activities. Governments that are larger, with more professional staff and bureaucratic expertise are more activist overall; while they are also more likely to outsource services, they have greater capacity to monitor contracts. The lack of systematic impact of external political economic variables is in keeping with the state-rescaling literature which sees locally-individualistic paths of trial and error adaptations to neoliberalism (Brenner and Theodore 2002). We also find that devolution pressures brought by state-rescaling such as loss of federal/state funding and competition between governments are related to low-road responses.

Evidence of the encroachment of neoliberal governance is weak, but it is seen in local economic development efforts and the effects of unions. Localities have increasingly become generators of economic growth, our findings indicating richer as well as poorer communities similarly pursue competitive business attraction. Counties with a more highly unionized workforce tend to have a greater privatization. This suggests local bureaucrats perceive unions as a barrier and seek to extend public service provision via the use of poorer-paid private workers.

While the state-rescaling explanation provides general support for our findings regarding the weak role of external political economic determinants, we highlight additional reasons why local governments may not take low-road paths. First, as Starke (2006) points out in a review of the welfare state retrenchment literature, despite neoliberal rhetoric, enduring popular support for public service provision remains. Voters tend to react more strongly to losses such as service cutbacks than gains (e.g. lower taxes). New risks have also emerged that require more not less social policy (Starke 2006). Our findings show no great voter desire to cut service spending (only 7% of counties reported a cutback "due to a political climate where voters favor decreased government"). Even in counties where Republican constituencies are high, support for county-provided services appears strong, evidenced in less privatization and service cutbacks.

Second, path dependent, institutional inertia has long been recognized as a force in government service provision (Clingermayer and Feiock 2001; Starke 2006). Once established, local policies and programs tend to persist even if the initial conditions that spurred them disappear (Clingemayer and Feiock 2001). Local governments have sunk costs in infrastructure and staffing lines and officials seek to maintain customary levels of service provision to avoid displeasing voters.

Third, there are inherent barriers to the private sector assuming a greater role in public service provision. Jeong (2007:13) notes, "The findings from decades-long practices in service delivery have confirmed the complexity inherent in local service delivery and the continuing dominance of government production of services." A lack of private sector providers, for instance is typically cited by local officials for low rates of privatization in poorer areas.

Finally, there may be a more fundamental change afloat. Under the legacy of a rightward moving central state, localities and states were propelled toward undertaking policy experiments, many becoming the site of progressive health, environmental, labor, and social legislation. This indicates the need to rethink conventional views of decentralization and its association with a lean and mean state. Our findings show rates of privatization have declined and counties continue to provide a wide scope of public services even as the national economy declined. In short, subnational governments may increasingly be the more progressive arm of the state.

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Table 1. Descriptive Statistics for Counties' 2008 Policy and Other Variables [a]

	Mean	Standard deviation
County policy related activities		
Business attraction, number	2.05	2.01
Business attraction, increased	0.53	0.96
Social services, number	3.98	3.14
Social services, increased	0.88	1.55
Service cut (any, past 5 years)[b]	22.1	
Outsourced services (proportion)	0.23	0.24
Privatized service (any, past 5 years)[b]	14.2	
External political economy		
Poverty rate	10.33	5.45
% Manufacturing	15.6	9.1
% Republican	61.5	11.9
Voters' spending views	0.62	0.60
Confederate state [b]	33.8	
Neoliberal state policy	25.35	4.69
Metro [b]	32.2	
Nonmetro adjacent [b]	34.9	
Nonmetro nonadjacent [b]	32.9	
County government capacity & actors		
Government size	328.00	461.40
Elected/appointed manager [b]	53.3	
Staff, grant writer [b]	32.4	
Revenue/expenditures	1.03	0.19
State+federal/own-source revenue	0.31	0.18
County relative to other local governments	0.43	0.19
Business influence	1.85	0.70
% Unionized employees	17.7	27.7
Decentralization pressures		
Devolution-related pressure	9.11	2.35
Welfare devolved [b]	30.0	
Competition, other governments	36.1	
Local population attributes		
% College graduates	16.4	7.4
% Population age >65	15.1	4.3
% Latino	5.7	11.7
% Black	7.21	12.7
Population size	71,264.70	268,327.27

[a] Statistics show are for county government units, n = 1,756 counties.
[b] Categorical variables, percent of counties reporting.

Table 2. Policy Responses: Zero-Order Correlations and Changes from 2001

	1	2	3	4	5	6	Policy Changes[a]
1. Business attraction, number	----						-*
2. Business attraction, increased	.505***	----					-**
3. Social services, number	.250***	.113***	----				NS
4. Social services, increased	.168***	.194***	.392***	----			-***
5. Service cut (any, past 5 years)	.043	.045	0.188***	-0.016	----		NS
6. Outsourced Services (proportion)	0.073**	0.049*	.175***	0.112***	0.031	----	-***
7. Privatized service (any, past 5 years)	0.126***	0.122***	0.166****	0.105***	0.110***	0.108***	-***

*p < .05, **p. < .01, ***p < .001

[a]Significant differences between the same counties (N = 1025) in 2001 and 2008 are reported based on t-test or chi-square tests as appropriate. Change + or – relative to 2008 is shown.

Table 3. U.S. County Governments' Economic Development Activity, Traditional Business Attraction[a]

	Number (2008)	Number (2008-2001)	Increased (2008)	Increased (2008-2001)
External Political Economy				
Poverty rate	-0.004 (0.013)	0.006 (0.016)	-0.003 (0.006)	-0.005 (0.008)
% Manufacturing	0.020 (0.007)**	0.020 (0.009)*	0.013 (0.003)***	0.013 (.005)*
% Republican	.954 (0.520)	1.808 (0.679)**	-0.028 (0.251)	0.154 (0.341)
Voters' spending views	0.038 (0.069)	-0.017 (0.087)	-0.042 (0.037)	-0.051 (0.046)
Confederate state	0.278 (0.251)	0.082 (0.278)	0.057 (0.073)	-0.023 (0.103)
Neoliberal state policy	0.029 (0.023)	0.045 (0.025)	-0.012 (0.007)	-0.005 (0.009)
Metro[b]	-0.095 (0.140)	0.075 (0.181)	0.034 (0.073)	0.091 (0.095)
Nonmetro adjacent[b]	-0.058 (0.111)	-0.039 (0.145)	0.061 (0.058)	0.077 (0.071)
County Government Capacity & Actors				
Government size	0.190 (0.070)**	0.106 (0.096)	0.092 (0.034)**	0.118 (0.050)*
Elected/Appointed Manager	0.247 (0.095)**	0.224 (0.122)	0.086 (0.048)	0.121 (0.063)
Staff, grant writer	0.425 (0.096)***	0.565 (0.123)***	0.153 (0.051)**	0.162 (0.065)*
Revenue/expenditures	-0.109 (0.219)	-0.111 (0.251)	-0.020 (0.115)	0.033 (0.132)
State+federal/own-source revenue	-0.213 (0.328)	-0.624 (0.421)	-0.205 (0.149)	-0.214 (0.204)
County relative to other local governments	0.689 (0.230)**	0.367 (0.290)	0.100 (0.120)	-0.037 (0.153)
Business influence	0.341 (0.060)***	0.340 (0.077)***	0.110 (0.032)***	0.064 (0.040)
Unionized employees	0.005 (0.002)*	0.007 (0.003)*	0.002 (0.001)	0.002 (0.001)
Decentralization Pressures				
Devolution-related pressure	0.030 (0.018)	0.023 (0.024)	0.009 (0.009)	0.010 (0.013)
Welfare devolved	0.070 (0.239)	0.073 (0.259)	0.043 (0.063)	-0.022 (0.090)
Competition, other governments	1.127 (0.094)***	1.056 (0.123)***	0.402 (0.050)***	0.375 (0.065)***
Local Population Attributes				
% College graduates	-0.008 (0.008)	0.003 (0.011)	-0.003 (0.005)	-0.000 (0.006)
% Population age >65	1.077 (1.288)	-0.021 (1.637)	0.695 (0.653)	0.568 (0.841)
% Latino	-0.003 (0.005)	0.001 (0.006)	-0.001 (0.002)	0.002 (0.003)
% Black	0.011 (0.005)*	0.014 (0.007)	0.006 (0.003)*	0.007 (0.004)
Population size (log)	-0.014 (0.065)	-0.040 (0.093)	-0.045 (0.034)	-0.084 (0.047)
Past Policy Responses				
Economic development activity		0.126 (0.028)***		0.042 (0.027)
Log-likelihood	-6602.9	-3822.4	4481.9	2605.9
Rho	0.115	0.123	0.007	0.025

[a] Unstandardized coefficients from random-effects regression models with state-specific error terms.
[b] Comparison category for metro/nonmetro adjacent counties is remote rural (nonmetro, nonadjacent) counties.
Statistically significant relationships, *p < .05, **p. < .01, ***p < .001
(N = 1756 for 2008 models and N = 1025 for 2008-2001 models).

Table 4. U.S. County Governments' Social Service Activity[a]

	Number (2008)	Number (2008-2001)	Increased (2008)	Increased (2008-2001)
External Political Economy				
Poverty rate	-0.037 (0.021)	-0.033 (0.026)	-0.001 (0.011)	0.001 (0.014)
% Manufacturing	-0.013 (0.011)	-0.017 (0.014)	-0.005 (0.006)	-0.002 (0.008)
% Republican	-1.515 (0.844)	-1.256 (1.090)	0.453 (0.418)	0.479 (0.564)
Voters' spending views	-0.034 (0.116)	0.050 (0.150)	0.021 (0.060)	0.002 (0.079)
Confederate state	0.202 (0.322)	-0.070 (0.321)	-0.032 (0.129)	-0.141 (0.155)
Neoliberal state policy	0.076 (0.030)**	0.075 (0.029)*	0.011 (0.12)	0.000 (0.014)
Metro[b]	-0.351 (0.233)	-0.407 (0.305)	-0.062 (0.120)	-0.085 (0.160)
Nonmetro adjacent[b]	-0.034 (0.185)	-0.096 (0.245)	0.116 (0.095)	0.077 (0.129)
County Government Capacity and Actors				
Government size	0.324 (0.114)**	0.282 (0.159)	0.188 (0.057)***	0.200 (0.082)*
Elected/Appointed Manager	0.132 (0.157)	0.291 (0.204)	0.235 (0.080)**	0.337 (0.106)**
Staff, grant writer	0.571 (0.160)***	0.643 (0.211)**	0.237 (0.083)**	0.254 (0.111)*
Revenue/expenditures	0.236 (0.366)	0.136 (0.428)	-0.204 (0.190)	-0.322 (0.226)
State+federal/own-source revenue	0.212 (0.532)	0.281 (0.651)	-0.130 (0.251)	-.278 (0.331)
County relative to other local governments	2.560 (0.382)***	2.263 (0.492)***	0.930 (0.197)***	0.792 (0.260)**
Business influence	0.332 (0.100)**	0.315 (0.131)*	0.144 (0.052)	0.142 (0.069)
Unionized employees	0.011 (0.004)**	0.007 (0.004)	0.003 (0.002)	0.003 (0.002)
Decentralization Pressures				
Devolution-related pressure	0.006 (0.031)	-0.006 (0.041)	0.002 (0.016)	-0.002 (0.022)
Welfare devolved	0.624 (0.294)*	0.479 (0.280)	0.385 (0.112)***	0.378 (0.133)**
Competition, other governments	0.297 (0.157)	0.507 (0.208)*	0.039 (0.081)	0.022 (0.110)
Local Population Attributes				
% College graduates	0.000 (0.014)	-0.002 (0.019)	0.013 (0.008)	0.023 (0.010)*
% Population age >65	-1.049 (2.127)	-1.730 (2.691)	-0.918 (1.081)	0.191 (1.405)
% Latino	-0.004 (0.008)	-0.006 (0.010)	-0.006 (0.004)	-0.002 (0.006)
% Black	0.007 (0.008)	0.002 (0.011)	-0.007 (0.004)	-0.002 (0.005)
Population size (log)	-0.147 (0.109)	-0.045 (0.154)	0.007 (0.055)	-0.028 (0.080)
Past Policy Responses				
Economic development activity		0.036 (0.048)		0.049 (0.047)
Social service activity		0.096 (0.033)**		0.061 (0.026)*
Log-likelihood	8292.0	-4832.0	-6120.5	-3620.5
Rho	0.060	0.020	0.013	0.007

[a] Unstandardized coefficients from random-effects regression models with state-specific error terms.
[b] Comparison category for metro/nonmetro adjacent counties is remote rural (nonmetro, nonadjacent) counties.
Statistically significant relationships, *p < .05, **p. < .01, ***p < .001
(N = 1756 for 2008 models and N = 1025 for 2008–2001 models).

Table 5. U.S. County Governments' Incidence of Any Public Service Cut[a]

	Service Cut (2008)	Service Cut (2008-2001)
External Political Economy		
Poverty rate	0.027 (0.018)	0.047 (0.024)
% Manufacturing	-0.002 (0.010)	0.005 (0.014)
% Republican	-1.766 (0.769)*	-2.671 (1.003)**
Voters' spending views	0.053 (0.104)	0.101 (0.137)
Confederate state	-0.073 (0.267)	-0.236 (0.309)
Neoliberal state policy	-0.140 (0.025)	-0.010 (0.028)
Metro[b]	0.412 (0.210)*	0.653 (0.281)*
Nonmetro adjacent[b]	-0.036 (0.174)	-0.046 (0.233)
County Government Capacity and Actors		
Government size	0.141 (0.102)	0.101 (0.145)
Elected/Appointed Manager	0.083 (0.145)	0.209 (0.191)
Staff, grant writer	0.173 (0.141)	0.189 (0.188)
Revenue/expenditures	-0.187 (0.393)	-0.157 (0.452)
State+federal/own-source revenue	-0.210 (0.464)	-0.690 (0.611)
County relative to other local governments	0.881 (0.340)*	1.007 (0.439)*
Business influence	-0.019 (0.091)	-0.014 (0.119)
Unionized employees	0.007 (0.003)*	0.005 (0.004)
Decentralization Pressures		
Devolution-related pressure	0.102 (0.030)***	0.010 (0.040)*
Welfare devolved	0.124 (0.244)	0.021 (0.270)
Competition, other governments	0.164 (0.140)	0.095 (0.186)
Local Population Attributes		
% College graduates	-0.013 (0.012)	-0.011 (0.017)
% Population age >65	-0.872 (1.901)	-0.378 (2.480)
% Latino	-0.012 (0.007)	-0.012 (0.009)
% Black	-0.000 (0.007)	-0.008 (0.011)
Population size (log)	-0.121 (0.098)	-0.108 (0.143)
Past Policy Responses		
Economic development activity		-0.002 (0.043)
Any public service cut		0.140 (0.200)
Log-likelihood	-828.15	-472.23
Rho	0.061	0.046

[a] Unstandardized coefficients for random-effects logistic regression models with state-specific error terms.
[b] Comparison category for metro/nonmetro adjacent counties is remote rural (nonmetro, nonadjacent) counties.
Statistically significant relationships, *p < .05, **p. < .01, ***p < .001
(N = 1756 for 2008 models and N = 1025 for 2008-2001 models.)

Table 6. U.S. County Governments' Service Privatization

	Outsourced Services, Proportion (2008)[a]	Outsourced Services, Proportion (2008-2001)[a]	Privatized Service[b] (2008)	Privatized Service[b] (2008 – 2001)
External Political Economy				
Poverty rate	-0.000 (0.002)	-0.001 (0.002)	-0.044 (0.027)	-0.015 (0.034)
% Manufacturing	-0.001 (0.001)	-0.001 (0.002)	-0.002 (0.012)	-0.004 (0.016)
% Republican	-0.137 (0.068)*	-0.105 (0.090)	-.400 (.967)	1.530 (1.277)
Voters' spending views	0.022 (0.009)*	0.012 (0.012)	0.045 (0.133)	0.056 (0.167)
Confederate state	-0.032 (0.027)	-0.058 (0.029)*	0.544 (0.283)	0.670 (0.337)*
Neoliberal state policy	0.003 (0.002)	0.002 (0.002)	0.051 (0.026)*	0.064 (0.031)*
Metro[c]	0.033 (0.019)	0.037 (0.025)	0.360 (0.276)	0.084 (0.354)
Nonmetro adjacent[c]	0.014 (0.015)	0.036 (0.020)	0.247 (0.235)	0.070 (0.297)
County Government Capacity and Actors				
Government size	0.021 (0.009)*	0.014 (0.013)	0.422 (0.127)***	0.243 (0.175)
Elected/Appointed Manager	0.032 (0.013)*	0.034 (0.017)*	0.586 (0.188)**	0.836 (0.244)**
Staff, grant writer	0.006 (0.013)	0.012 (0.017)	0.169 (0.172)	0.157 (0.222)
Revenue/expenditures	0.026 (0.030)	0.012 (0.035)	0.722 (0.370)	0.614 (0.374)
State+federal/own-source revenue	-0.062 (0.043)	-0.025 (0.054)	-0.932 (0.630)	-0.408 (0.758)
County relative to other local governments	-0.111 (0.031)***	-0.113 (0.040)**	-0.747 (.443)	-0.678 (0.553)
Business influence	0.017 (0.008)	0.004 (0.011)	0.340 (0.108)**	0.318 (0.139)*
Unionized employees	0.001 (0.000)	0.000 (.000)	0.012 (0.004)**	0.014 (0.005)**
Decentralization Pressures				
Devolution-related pressure	0.008 (0.002)**	0.005 (0.003)	0.190 (0.040)***	0.218 (0.550)***
Welfare devolved	0.004 (0.025)	-0.007 (0.025)	0.050 (0.249)	-0.225 (0.296)
Competition, other governments	0.052 (0.013)***	0.053 (0.017)**	0.266 (0.168)	0.351 (0.218)
Local Population Attributes				
% College graduates	0.000 (0.001)	0.000 (0.002)	-0.001 (0.015)	0.016 (0.020)
% Population age >65	0.180 (0.172)	0.441 (0.221)	-4.246 (2.430)	-2.390 (2.983)
% Latino	0.000 (0.001)	.000 (.000)	0.007 (0.009)	0.004 (0.011)
% Black	0.001 (0.001)	0.002 (0.001)*	0.016 (0.010)	0.014 (0.013)
Population size (log)	-0.002 (0.009)	0.008 (0.012)	-0.333 (0.123)**	-0.196 (0.175)
Past Policy Responses				
Outsourced services		0.085 (0.028)**		
Privatized service				0.419 (0.222)
Log-likelihood	-23.0	-47.8	-562.10	-335.97
Rho	0.058	0.040	0.031	0.023

[a] Unstandardized coefficients from random-effects regression models with state-specific error terms.
[b] Unstandardized coefficients from random-effects logistic regression models with state-specific error terms.
[c] Comparison category for metro/nonmetro adjacent counties is remote rural (nonmetro, nonadjacent) counties.
Statistically significant relationships, *p < .05, **p. < .01, ***p < .001
(N = 1756 for 2008 models and N = 1025 for 2008-2001 models.)