

[Literature review from “Snobbery, Racism, or Mutual Distaste: What Promotes and Hinders Cooperation in Local Public-Good Provision?” by David M. Brasington, *Review of Economics and Statistics*, November 2003. Annotated by Paul Dudenhefer.]

*In his paper, David Brasington examines how income and racial differences affect the decisions of communities to share public-schooling services. In particular, he considers how a decision to consolidate school districts is influenced by racial and income differences. Here is the literature review from the paper; in the paper, the review is presented in a section of its own, right after the introduction.*

Begins with comments on literature as a whole.

Previous empirical studies typically differ from the current study in the approach they use and the local public good they examine. Most prior studies regress the number of local governments as a function of demographic heterogeneity. They find the number of local governments is increased by age heterogeneity (Fisher & Wassmer, 1998), racial heterogeneity (Martinez-Vazquez, Rider, & Walker, 1997; Nelson, 1990), and income heterogeneity (Martinez-Vazquez et al., 1997; Nelson, 1990; Fisher & Wassmer, 1998). The results of these studies imply that demographic differences deter centralization.

Ferris and Graddy (1988) explore why local governments contract for services by using a different methodology. Their ordered multinomial logit has the following dependent variables: (1) the service is provided internally, (2) the service is produced both internally and externally (joint provision), and (3) the service is contracted out to another governmental unit or a private firm. Population homogeneity promotes cooperation in public service provision for three of the seven services. Public schooling is not investigated, though.

Explicitly identifies problem with the studies.

These empirical studies provide valuable insights into the role of demographic differences on the structure of local government; however, none of them take account of the characteristics of a jurisdiction's neighbor. The real decision each community faces is this: do we merge with neighbor x? neighbor y? neighbor z? or none of the above? The decision depends on the characteristics of the community in question and those of the neighbors with which it could potentially share public services. Such a community and its neighbor constitute a potential matching pair.

Presumably, his study will take these into account; it would be nice if he said so!

Only two studies have looked at the specific consolidation choices facing each jurisdiction. Austin (1999) explores the decision of cities to annex specific surrounding unincorporated census tracts. His bivariate logit model suggests that cities prefer annexing surrounding communities that have larger proportions of minorities than themselves; in contrast, surrounding communities do not like to be annexed to whiter cities. The results suggest that minority communities exhibit racism toward

Here, he looks at those studies that examine consolidation decisions—the thing he will look at too.

their whiter neighbors, but not the reverse. Brasington (1999a) investigates the characteristics that promote and inhibit neighboring communities from cooperating in public-schooling provision. His study suggests that the consolidation decision does not depend on race and income.

Explains explicitly how his study differs from the other two.

The current study follows the approach of Austin (1999) and Brasington (1999a): it examines the specific choices facing each community in a potential matching pair. Unlike Austin (1999), it focuses solely on the provision of public schooling rather than municipal annexation for provision of all local public services. Unlike Brasington (1999a), it splits each potential matching pair into its poorer and richer and into its whiter and darker members. Splitting the data permits a much richer look at the role of racial and income heterogeneity on consolidation.