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TECHNICAL  
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# Government Consolidation and Economic Development in Allegheny County and the City of Pittsburgh

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Sponsored by the Citizens Advisory Committee on the Efficiency and Effectiveness of  
City-County Government



Environment, Energy, and Economic Development

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## Summary

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### Pittsburgh–Allegheny County: Fragmented and Underachieving

Allegheny County has the dubious distinction of being among the most fragmented counties in the United States in terms of governmental units. It has some 128 municipalities, 101 special districts, and 44 school districts. Looking more widely, the seven-county metropolitan statistical area (MSA) has more than 900 governments, giving the region more governmental units per capita than any other region in the United States.

With such extensive fragmentation, the topic of government consolidation as a way of improving the economic well-being of the area's residents inevitably arises. Aggregate data, when viewed across regions of the country and over time, suggest a positive relationship. As Table S.1 shows, fragmented governance correlates with poor regional performance on population and employment measures. The Pittsburgh MSA, which is the most fragmented of the larger MSAs in the United States, lags even among the six most fragmented MSAs. The Pittsburgh MSA also performed worse than the Commonwealth of Pennsylvania did on these measures.<sup>1</sup> Its population has declined over the past 15 years, and its employment lags the least fragmented MSAs by 16.5 percentage points.

Such disappointing statistics are well known to the leaders of the region. Recently, the mayor of Pittsburgh and the county executive asked the chancellor of the University of

**Table S.1**  
**Indicators of Regional Performance, by Degree of Government Fragmentation**

Region	Population Change, 1990–2005 (%)	Employment Change, 1990–2005 (%)
Six least fragmented cities	23.7	21.0
Six most fragmented cities	9.8	12.8
Pittsburgh MSA	–3.5	4.5
Pennsylvania	4.4	9.0

SOURCE: U.S. Census Bureau data.

<sup>1</sup> Government fragmentation is measured as the number of local governments per 100,000 residents. For this metric, the six least fragmented MSAs are, in order of increasing fragmentation, San Diego (Calif.), Los Angeles–Riverside–Orange County (Calif.), Phoenix–Mesa (Ariz.), Miami–Fort Lauderdale (Fla.), San Francisco–Oakland–San Jose (Calif.), and Tampa–St. Petersburg–Clearwater (Fla.). The six most fragmented cities (also in order of increasing fragmentation) are Cleveland–Akron (Ohio), Kansas City (Mo.–Kan.), Cincinnati (Ohio–Ky.–Ind.), St. Louis (Mo.–Ill.), Minneapolis–St. Paul (Minn.), and Pittsburgh (Pa.) (Orfield, 2002).

Pittsburgh to chair a task force to explore issues surrounding consolidation, whether that might be the provision of joint services or wholesale merger of governments. The task force, in turn, asked RAND to analyze one specific topic that it thought had special import for the region and often was cited as a rationale for consolidation: that consolidation would result in enhanced economic development.

To comply with this request, we reviewed the literature, interviewed experts in the region and across the nation about the relationship between consolidation and economic development, created a framework for analysis, and developed conclusions about the possibilities for enhancing economic development under consolidation.

## What Is the Economic-Development Case for Consolidation?

The information we gathered falls naturally into three categories:

- the theoretical case
- the practitioner case
- the academic case.

### The Theoretical Case

A review of the theories about consolidation’s effects on regional economic development reveals substantive arguments on both sides of the question. Table S.2 summarizes these.

### The Practitioner Case

Those directly involved in economic development generally take a more positive view of consolidation’s effect on economic development than that found in the theoretical literature. Where consolidation actually has occurred, experts voice opinions that range from mildly positive to enthusiastic. In counties that have not consolidated, we found general support for the idea that consolidation would foster enhanced economic development. That said, those we interviewed were short on specifics of exactly how consolidation did or would do that. But certainly a recurring theme was that unity of leadership, speaking with one voice, and sharing a common vision would have a positive effect on regional economic development.

### The Academic Case

Our review of the academic literature suggests that those who have studied consolidation believe that it will enhance a region’s *capacity* for economic development and that it *should* help

**Table S.2**  
**The Theoretical Case for and Against Consolidation**

Arguments for	Arguments Against
Improves technical efficiency	Reduces choice
Reduces fragmented governance	Fails to achieve anticipated economies of scale
Improves regional fiscal and social balance	Spreads urban ills to the suburbs
Enhances economic development	

economic performance. However, we could not find unequivocal evidence that city-county consolidation *does* improve economic development. Neither did we find any strong analysis *refuting* the notion that consolidation can improve it. The empirical work we reviewed does not show statistically significant evidence that consolidation will enhance economic development when measured against a variety of measurements, such as firm or payroll growth. In some cases, statistically significant growth did occur but at the same pace as in the rest of the state or comparable regions, suggesting that the growth might have occurred irrespective of the consolidation.<sup>2</sup> However, the empirical studies are few and the measurement issues difficult, leaving the academic case unsettled.

## Expectations of the Impact of Consolidation on Economic Development

The body of material we reviewed does not make an incontrovertible case for the link between consolidation and economic development. Theoretical arguments can be found on either side of the question. Practitioners generally believe that it is helpful but have difficulty pointing to specific connections or results. Academics generally think it should help, but neither the case studies nor the empirical analyses provide strong quantitative support for that feeling. Clearly, we cannot make a definitive, empirical case one way or the other.

In the absence of clear empirical support for the case and divergence among experts, we looked at the body of evidence from many sources. Responses from practitioners suggest an expected effect of consolidation on economic development along specific dimensions that help define a positive case for economic development. When we weigh the body of evidence in total, we conclude that consolidation of the city and county can have a generally positive impact on economic development. We reached this conclusion following a train of logic based on the goals of economic development and the experiences of consolidating entities. First, we identified common goals of economic development. We then reviewed the economic-development process and analyzed some common elements that are indicative of ways in which government can affect that process. We next assessed the evidence relative to a hypothetical consolidation of Pittsburgh and Allegheny County with respect to whether the key elements would flourish or founder in the event of that consolidation.

Based on our assessment of the literature, case studies, and interviews, economic development should include at least three specific goals. One is feeding and sustaining the local economy. This includes such activities as improving schools, reducing crime, and improving infrastructure. It also includes making growth easy for existing businesses and encouraging innovation. A second goal is attracting new businesses and institutions to the region. In this case, unlike the first goal, the focus falls outside the region. The third goal is maintaining or improving the attractiveness of the workforce. Here, actions include capitalizing on the strength of educational institutions and encouraging them to teach the types of skills that are attractive to local employers and those being sought from outside the region.

Building on the evidence, we then identify general characteristics that are frequently cited in support of the proposition that city-county consolidation can improve regional economic development. These key elements of the economic-development case appear in Table S.3, along with more-detailed attributes of each element. The perception of practitioners,

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<sup>2</sup> Note, however, from Table S.1, that the Pittsburgh MSA lags the state in key indicators.

**Table S.3**  
**Salient Elements of an Economic-Development Case**

Element	Characteristic
Unity of leadership	One accountable decisionmaker Common vision; speak with one voice Greater regional stature Improved access to state and federal money
Increased planning and development capacity	More-comprehensive planning and coordinated land-use regulation Improved public-private cooperation Larger legal and resource base for attracting and supporting development More-sophisticated economic-development capability
Simpler regulatory procedures for business	Clarity of authority Improved transparency Streamlined permit processing
Reduced intergovernmental competition	Less-fragmented governance Fewer inefficient economic-development subsidies

theorists, and involved citizens with whom we talked, as well as our own analysis, suggest that these elements of consolidation can—and, in some circumstances, do—make a difference in economic performance.

The next step was to consider each of the key elements and its characteristics under two situations: with and without consolidation of the City of Pittsburgh and Allegheny County. Conceptually, we retraced the arguments and assessed where the balance might fall specifically for Pittsburgh–Allegheny County. Table S.4 shows anticipated effects of consolidation on the characteristics based on our assessment of the body of evidence of differences that might show up when comparing an unconsolidated City of Pittsburgh and Allegheny County with a consolidated entity. These assessments are based on the theoretical and empirical literature, case studies, and interviews with practitioners. Our intent is to signal the direction of change, if any, and the intensity that might be expected.

The direction and strength of elements of a possible case for improved economic development through consolidation that we have identified are noncommensurable. We are not proposing that one simply sum the elements that are hypothesized to improve with consolidation and declare the case to have been made. The assessments are distillations of arguments found in the literature, case studies, and interviews with practitioners and experts. The direction of a change is based on the body of evidence; however, the magnitude of the impact is our subjective judgment based on the same evidence. Any number of weighting schemes could be applied that would change a naïve interpretation of the number of elements hypothesized to improve under consolidation. But for us, calling out some elements of a case and setting forth subjective magnitudes of a change is a way of sharpening the debate and squeezing the empirical evidence and subjective inferences into metrics through which informed citizens can agree or disagree about the effects of some factor, thereby improving their discourse on future public policy.

Two overarching points emerge from the assessments reflected in Table S.4. First, consolidation can improve economic development. Even though, in some cases, consolidation of the city and county may have little or no effect on a given characteristic of economic development, we judge that seven of the characteristics improve under consolidation, some substantially. The



**Table S.4**  
**Elements of an Economic-Development Case and Anticipated Effects from the Consolidation of the City of Pittsburgh and Allegheny County**

Element	Characteristic	Anticipated Effect of Consolidation on Characteristic
Unity of leadership	One accountable decisionmaker	Greatly improve
	Common vision; speak with one voice	Greatly improve
	Greater regional stature	No change
	Improved access to state and federal money	Likely no change
Increased planning and development capacity	More-comprehensive planning and coordinated land-use regulation	Improve
	Improved public-private cooperation	No change
	Larger legal and resource base for attracting and supporting development	Improve
	More-sophisticated economic-development capability	Little or no change
Simpler regulatory procedures for business	Clarity of authority	Improve
	Improved transparency	Improve
	Streamlined permit processing	Little or no change
Reduced intergovernmental competition	Less-fragmented governance	Improve
	Fewer inefficient economic-development subsidies	No change

second key observation is that unity of leadership is affected to the greatest extent. Accountability and a common vision weigh heavily for consolidation, and we conclude that this dimension alone of the case for consolidation holds promise for improving economic development.

## Conclusions

The varied nature of consolidations and the difficulties of measuring improvement in economic development with or without consolidation make it impossible to find definitive evidence one way or the other that consolidating the City of Pittsburgh and Allegheny County should improve economic development. But neither does the evidence suggest that consolidation would have a negative effect on economic development.

Even if not demonstrable empirically in other settings, key signs point to some version of consolidation as being helpful for the City of Pittsburgh and Allegheny County. First, *improved policy direction and unity of leadership seems within grasp, and our judgment is that this can have a positive—albeit difficult to measure—effect on economic development.* Second, *improved coordination and sharpening of economic-development initiatives seem within reach, and our judgment is that this would have a positive (although, again, likely to be difficult to measure) effect on economic development.*

These conclusions come with caveats. First, any such economic-development gains will require *enhanced coordination and collaboration with the private sector*. The consolidated entity still will have to deal with the need to rationalize the myriad of economic-development efforts under way within the region, including the worthy public-private partnerships and the perception of a bewildering number of programs and agencies that seem to have some responsibility for the economic well-being of the region. Second, *fragmented regulatory processes and inter-governmental competition will remain drags on regional economic development* if the consolidation scheme involves only the city and county. Finally, we recognize the inherent limitations of employing a body-of-evidence approach, described earlier. The direction and magnitude of effects are our judgments based on distillations from our research and interviews. However, the process can sharpen the debate about consolidation and provide a common framework for discussion.