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Between the quality of the environment and the quality of the performances in Israeli local government

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According to the current Local Authorities Act in Israel 2000, once the municipal government fails to function financially, the Ministry of the Interior should intervene to appoint a professional team to help the municipality recover from its crisis. This law contains no wording ordering the local authorities to provide any local services. In the absence of a clear demand from the central government to provide certain public goods at the local level, what motivates the heads of local authorities to provide such goods? Given that local environmental issues are mostly identified as local services, and that people's satisfaction with the quality of the local environmental services is an effective predictor for the re-election of an incumbent head in almost all Israeli municipalities, the way local authorities deal with these services constitutes a case study with which to examine their incentive for providing local services. This study seeks to explain the empirical nature of the major political motivations of the heads of local authorities for providing environmental services. The environmental and sustainability literature offers economic and civic motivations as an answer to this question. In contrast, this article suggests public choice theory as an alternative answer to this question.

Keywords: local government; local goods; public choice; environmental services

Extensive scientific literature illustrates how existing strategies improve the environment. Increasingly, these studies focus on the role played by local authorities in these efforts.¹ The logic underlying this approach signifies that the local authority is the level of government closest to the citizens and therefore should have a greater impact on the quality of their lives.² The local authority is directly in charge of residents' well-being and routinely provides the most essential public goods and services.

In Israel, local governments vary enormously in terms of the quality and quantity of the services they offer. This apparent inequality is one of the highest among the OECD members, and leads to major gaps in the quality of the services residents receive.³ Although responsibility for the local authorities falls under the Ministry of the Interior, the ministry has never defined the set of public services

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that local authorities in Israel ought to provide to their residents.⁴ This situation allows mayors a great deal of latitude in their interpretation of this responsibility. However, even under these circumstances, heads of local authorities seem to be compelled to deliver local services, at the very least to maximize their chances of being re-elected.

In Israel there are two forms of municipal services. The first are essentially national services that are actually provided by the local authority. Examples of such services include education and social welfare which are associated with ministerial offices and are supervised by a set of laws and regulations. The other form of municipal services is local in nature and includes those designed to maintain the quality of the municipality's environment. Examples include the maintenance of roads, infrastructure, sanitation, cleanliness, open areas and parks. While there are laws that pertain to these services, they are not subject to heavy government regulation. Generally speaking, there is no government ministry that inspects their work, not even the Ministry of the Interior.

According to the wording of the current Local Authorities Act in Israel 2000, once the municipal government fails to function financially, the Ministry of the Interior should intervene to appoint a professional team to help the municipality recover from its crisis. However, this law contains no wording ordering the local authorities to provide any local services. Thus, the political system formally defines local problems as being essentially economic, not political or social.

In the absence of inspection or a clear demand from the central government to provide certain public goods at the local level, what motivates the heads of local authorities to provide such goods? The environmental and sustainability literature offers economic and civic motivations as an answer to this question. In contrast, this article suggests public choice theory as an alternative answer to this question. Such an approach posits a rational, political motivation for providing such services. This motivation is based mainly on a combination of the public goods theory⁵ or, in its municipal version, local goods,⁶ the logic of the collective action approach,⁷ and the standard assumption that rational politicians behave so as to maximize the probability of their re-election.⁸ Information theory and retrospective voting also provide a complementary answer to this question.

Bearing in mind that Israel lacks a formal constitution that defines the borders of responsibility between the national and local governments, local environmental issues are mostly identified as local services. Furthermore, what people think about the quality of the environment contributes the most to enhancing a mayor's reputation and his or her political ambitions.⁹ Consequently, then, given that the local environment is a public good, how local authorities deal with it constitutes a case study by which to examine the incentives for providing local services. Thus, in almost all Israeli municipalities, an effective predictor for re-electing an incumbent head is people's satisfaction with the quality of the local landscape.

It is difficult to understand, however, the disparity in local services throughout the country. This study seeks to explain the empirical nature of these

seeming contradictions. More specifically, we seek to understand the major political motivations of the heads of local authorities for providing good public services such as clean and quiet streets, attractive parks, high-quality drinkable water, health, education and safe neighbourhoods. In addition, we investigate the variables that explain the significant differences in the quality of the environment services among different local authorities. The empirical analysis is based on surveys and two databases of the Israeli Central Bureau of Statistics. The first is a dataset compiled from a social survey conducted in 2007 among a random sample of 35,231 Israelis from 62 (out of 251) localities that concentrated on municipal services. The second includes physical and financial data from the local authorities in Israel. This analysis should help provide answers to the above questions from the public's point of view, offering insights into how the local environment affects their assessment of their local authority's performance and, by extension, the quality of their lives.

The local environment

At the start of the twenty-first century more than half of world is urban.¹⁰ This demographic trend is growing fast and presents enormous challenges to cities and their local leaders. The United Nations Declaration on the Environment and Development, Agenda 21, signed by 178 governments in Rio de Janeiro in 1992, put the need for sustainable development on the world agenda. It identifies local governments as significant sub-national units in the promotion of this subject,¹¹ and recognizes the role of local authorities in reaching this goal as essential and decisive. This international declaration creates a meaningful change in local authorities' understanding of the importance of taking responsibility to heighten awareness about these issues and to make behavioural changes with regard to the physical, economic and social well-being of its residents.¹² Indeed, many thousands of local authorities around the world, working at the behest of the central government or in cooperation with regional, urban and civic organizations, have begun collecting information and developing local strategies, for both the long and short term, for defining normative standards, performance indicators and assessment measurements designed to improve the local authorities' performance with regard to the local environment.¹³

In contrast to this widespread international trend, local government in Israel has not yet adopted a comprehensive policy on the promotion and implementation of a local sustainability policy,¹⁴ and indicators for evaluating the performance of local authorities in this area are still new.¹⁵ However, the local authorities in Israel do have two legal precedents on which to base policy. The first is the soft regulation of the Ministry of the Environment via 'Units of the Environment', which were established to make sure that the decisions taken by the ministry would be implemented by the local administration.¹⁶ Second, local authorities have a legal obligation to fulfil certain duties such as providing sanitation services. Finally, some heads of local authorities, especially in large

municipalities, voluntarily undertake to engage in environmental projects such as protecting unique local areas and developing public parks.¹⁷

Moreover, because Israel has no formal constitution that defines the borders of responsibility between the national and local government, over the last two decades efforts have been made to reallocate political, financial and administrative powers to sub-national governments.¹⁸ However, most Israeli local authorities have experienced ongoing financial crises since the mid-1980s.¹⁹ Between 1997 and 2003, 70% of the 265 local authorities in Israel were functioning under recovery arrangements imposed by the Ministry of the Interior,²⁰ but only 42% of them met the ministry's definition of recovery. During 2008, 139 localities were required to operate under recovery plans.²¹

The absence of inspection or a clear demand from the central government to provide environmental services, along with their ongoing economic crises, are likely to discourage the local authorities from initiating an environmental policy within their jurisdiction.²² Therefore, we ask: what motivates the heads of local authorities to provide such public goods, and what aspects of local environmental protection are actually provided?

Whereas the relevant literature on the local environment and sustainability policy discussed above expects local representatives, particularly the heads of the authorities, to be keenly interested in meeting these challenges for both civic and economic reasons,²³ the public choice literature points out the rational, political motivations for doing so. While the environmental approach says that issues related to the local environment draw relatively little attention and rank low on the scale of importance of both the government and the public,²⁴ the public choice approach empirically identifies these issues as the factors contributing most to the enhancement of a mayor's political ambition.

These seemingly contradictory findings may be explained by the dual perceptions of the term 'local environment'. To a large extent the environmental approach attaches an ecological understanding to this term. Its studies focus on problems such as global changes in the weather, increases in greenhouse gases, various local sources of pollution, and the over-consumption of natural resources. Ecological research also investigates the growth of the population in urban areas and the challenges facing local leaders in dealing with old urban infrastructures. In contrast, the public choice literature refers to the local environment in terms of its beauty, encompassing quality of life issues such as clean streets, safe neighbourhoods, attractive parks and high-quality water, health and education.²⁵

A rational motivation for providing local services

The public choice approach embraces an extensive array of theories that share the assumption of rational politicians, a rational bureaucracy and rational voters. These theories explain why rational politicians in Israel try to provide quality local services even though they may not be legally obligated to do so. We argue that the public goods theory²⁶ or, in its municipal version, local goods, the logic

of collective action,²⁷ information theory and the bottom-up demands of residents together suggest a complementary answer to this question. All of these theories assume that rational politicians behave so as to maximize the probability of their re-election.²⁸

The local environment as a local good

According to the public goods approach, goods could be considered ‘private’ when they possess specific attributes and ‘public’ in the absence of those attributes. Hence, services such as security, public order or the safety of inhabitants are considered to be publicly consumed goods,²⁹ or ‘pure public goods’. Clean and quiet streets, nice landscapes, high-quality air and water, safe neighbourhoods, and public parks and gardens may be referred to as either public or private consumption goods. Actually, the fact that these environmental services are provided by the local authority for the benefit of its residents imbue them with the two features necessary to determine the status of a public good: ‘jointness’ of supply and ‘externalities’.

Jointness refers to goods that simultaneously serve a utilitarian function for all of society’s members irrespective of any part they may play in their production.³⁰ Jointness occurs when it is impossible to divide a public good, and it is impossible to prevent anyone from consuming it, even if they contributed nothing to its production. Thus, jointness invites ‘free riding’ – a rational economic behaviour in which every rational member of society tries to benefit from goods without contributing to the cost of their production.³¹ In order to reduce free riding, public authorities require citizens to help bear this cost of production in various ways, such as by paying taxes.

Externalities or spill-over effects mean that the production of a good may entail the transfer of costs or benefits to individuals who have no direct link to the consumption of this good. For instance, the neighbours may have to suffer from increasingly polluted air so that a particular good can be produced, irrespective of whether they directly benefit from that good. The state’s authority to act against the polluters on behalf of all of the injured parties is essential. Under these circumstances, the air is a public good, subject to collective responsibility.³²

Goods may have public attributes, but be traded like private goods.³³ Charging admission allows us to draw borders between those we wish to include or exclude, a country’s borders and immigration laws limit access to national goods and to most of the nation’s citizens. Laws and regulations often impose restrictions on selected groups within national borders and prevent specific citizens from accessing those goods.³⁴ It follows, by extension, that a ‘local good’³⁵ is one whose production, supply or restriction to the local residents is under the responsibility of the local authority. Furthermore, access to this local good positively or negatively affects the inhabitants of the locality. Needless to say, the authorities may produce local goods with their own staff or by outsourcing their production. The key issue is that the local authority’s residents

evaluate the performance of supplying these services and the quality of these goods in a positive way.

It is this assessment that usually affects people's political choices when they evaluate the performance of their representatives on Election Day. Satisfaction with the good and services provided often tends to reward incumbents. When these assessments are negative, preferences may shift to favour the challengers' packages of policy promises and commitments.

A political motivation for the production of goods

The majoritarian logic upon which the democratic system is based is supposed to direct political leaders to policy decisions favourable to at least the plurality of the public, thereby increasing their prospects of re-election. However, public choice theorists have commented on a consistent contradiction in the behaviour of politicians in democracies in this regard. Instead of promoting the interests of the majority, political leaders bias their public policy in favour of minorities with special interests, often at the expense of the majority. Such behaviour creates an inefficient redistribution of resources in which the losses incurred by the majority of the public are considerably greater than the profit reaped by the minority in whose favour the policy is biased.³⁶ Lohmann's information theory explains that favouring the minority's interests by redistributing resources to benefit special interest groups help incumbents accumulate a net electoral advantage, because of the asymmetry between the well-informed minority and the ill-informed majority. This asymmetry stems from the problem of free riders, and together with the explanations about competitive elections and retrospective voting, provides a comprehensive explanation of the phenomenon.

The phenomenon of special interest politics and information theory are discussed in the relevant research literature with reference to the work of the central government. In line with Yuval,³⁷ this study assumes that this explanation can also be applied to municipal politics, where local leaders adopt a biased policy in favour of a knowledgeable local minority at the expense of the majority of residents who lack such knowledge. However, it follows that when the local population has equal information on a given policy issue, leaders will refrain from adopting an inefficient redistribution local policy. In other words, as is the case on the national level, the degree of the redistribution's inefficiency should be reduced if information is distributed to the general public on the local level.

Asymmetric knowledge is due mainly to the complexity of society, in which public policy has many dimensions, each involving numerous details.³⁸ Different political issues have varying degrees of importance for different citizens. Hence, citizens will concentrate on gathering information related to issues that have a greater impact on their lives, while remaining apathetic towards marginal ones, even when inundated with information about these issues free of charge.³⁹ Citizens who attach importance to a given policy issue become individuals with a special interest in that particular issue. Special interests create minorities based

on each one of the policy's dimensions. Consequently, citizens may have a special interest in several dimensions of an issue, while remaining simply a member of the general public lacking any particular interest in other issues. Voters seeking to improve a policy of importance to them will take political action to convey that desire to the politicians and supply them with information to influence their policy decisions. Given that the voter's knowledge level influences the policy-maker, and the policy-maker tends to act to benefit those whose interests are expressed most loudly, the voter is strongly motivated to invest resources in gathering information about the public policy in which he or she has a vested interest. The result is an asymmetry in knowledge between the interested parties and the general public in a specific area of policy.

Because political participation is disrupted by the problem of free riders, small groups find it easier to organize for the purpose of applying pressure on decision-makers, and they have strong and well-defined motives to help them overcome the problem of free riders. Therefore, their opinion is heard loud and clear, so their interests are attended to more frequently at the expense of the non-organized public. Accordingly, decision-makers are apt to take resources from the general public and redistribute them to benefit special interest groups or individuals. Thus, the redistribution of resources is managed inefficiently.

Lohmann argues that the problem of free riders alone cannot explain why elected public representatives in democracies that hold majoritarian general elections favour minority interests. Indeed, a rational majority realizing the price they have to pay for the special interests would presumably oust the political leaders concerned from their positions. He also argues that the asymmetric level of knowledge that lies at the core of special interest politics results in a situation whereby an incumbent could increase his or her political support by adopting a political bias that benefits various minorities at the expense of the majority. He maintains that this asymmetry in information leads to an additional asymmetry, one that is linked to how the voters understand the government's political responsibilities. A voter with substantial knowledge will most likely react with greater sensitivity to changes instituted by the government that affect his or her welfare than an uninformed voter. Also, a voter who has an interest in a particular issue will regard the adoption of policies favouring this issue as coming from the efforts of particular policy-makers. At the same time, this voter may tend to generally exempt these policy-makers from any responsibility vis-à-vis other issues in which that same voter has no special interest. The literature describes this phenomenon as retrospective voting.⁴⁰

Armed with more information than average voters, members of special interest groups are keenly aware of whether incumbent politicians have acted on their behalf. In contrast, members of the general public with no particular interest in a given issue know very little about the details of policies, even if they have economic significance for them. As a result, citizens are not inclined to protest vehemently when a certain policy results in their having to pay large amounts of money for a product whose actual cost should really be much lower. Due to the

existence of the retrospective voting mechanism, the asymmetry in information and the problem of free riders, elected representatives will seek to satisfy the special interest groups with the aim of getting re-elected, just as their predecessors did.

Special interests as a stimulus for promoting local goods

According to the asymmetric mechanism identified by information theory, the rate of the redistribution's inefficiency increases when minorities have an interest in a given policy. In contrast, when all voters have equal levels of knowledge about a given policy issue and attach equal degrees of importance to it, policy-makers will refrain from an inefficient redistribution policy. While in the first alternative incumbents bias local policy to favour the special interest of the local minorities, in the second scenario incumbents will react according to the democratic majoritarian rule. Both cases assume that the incumbents behave rationally in order to maximize their chances of re-election.

We argue that these two explanations are not exhaustive and offer a third one based on the same mechanism that underlies the information theory. This third situation arises when the special interest of minorities actually motivate incumbents to construct local policies that result in benefits to the entire community. Thus, these interests have the features of a local good and are not merely a local service designed to serve the narrow interests of the particular minority.

Indeed, local environment is an example of a local good. The desire for an attractive living environment is a special interest of a powerful socio-economic minority of residents. However, given their qualities of jointness of supply and externalities, the entire population under the responsibility of the local authority may enjoy these services and cannot be prevented from consuming them. In this case, the elected incumbents may be responding to the interests of a small minority, but they are also serving the majority of the population, which, of course, includes this minority. This is a win-win situation in which what might otherwise be a pathology of the democratic system (special interest groups) ignites a process that results in benefits for the majority of the population including, of course, the apathetic and ill-informed majority who often ignore the political process and do not participate in it.

Research hypotheses

One needs empirical evidence to answer questions such as: why do the heads of localities regularly provide local goods such as clean streets and public gardens; and why do they engage in activities that do not seem to have distributional political effects, but instead create goods and services that benefit all of their constituents?

It is argued here that the rational, political motivation of local elected representatives leads them to address the special interests of the minority. Given

that the local good most likely to help incumbents to be re-elected is an attractive local environment, we expect to see evidence of this local good in all localities. The significant variation in the manner in which this local good is provided depends on the degree of power exerted by the minority group that focuses on this good as their special interest. Hence, we expect that residents with a higher socio-economic status will be more interested in and aware of their local environment. These are the special interests that begin the political process. Then we hypothesize that the higher the socio-economic rank of the authority (on the aggregate level), the higher the level of investment in the infrastructure made by the authority and the higher the level of satisfaction with the local environment. Finally, a higher level of satisfaction with the local environment will improve the evaluation of the local authority's general performance.

Figure 1 presents a model of the hypothesized relationships among the research variables based on the theoretical development suggested so far.

Research method and data

The model shown in Figure 1 was tested using data from the Israeli Central Bureau of Statistics (CBS). This data comes from an annual social survey conducted in 2007 among a random sample of 35,231 Israelis from 62 (out of 251) localities. We chose this data set because the questions in the 2007 survey concentrated on municipal services. In addition, we used physical and financial data from the local authorities in Israel.

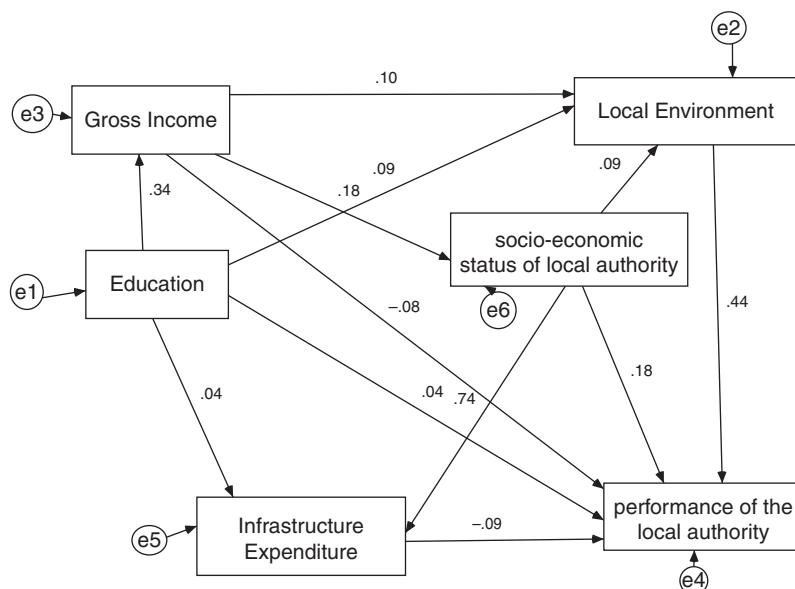


Figure 1. The SEM model.

Only 13 questions grouped into two categories were used from a large set of questions designed to measure the level of satisfaction with various aspects of the local environment. The second set measured the quality of the performance of the local authority. Respondents were asked to rank their degree of agreement or disagreement with the statements on a Likert scale ranging from 1 (strongly disagree) to 4 (strongly agree). The remaining questions were demographic variables.

Participants were asked to indicate their degree of satisfaction with eight elements of their neighbourhood environment: general satisfaction; the amount of green spaces such as public parks and gardens; the air quality; the cleanliness of the streets; personal safety; garbage collection; parking; and the physical infrastructure such as sidewalks, lighting and signs.

To measure the local authority's performance, participants were asked to assess the level of performance and their degree of satisfaction with the services provided by the authority.

The demographic variables included questions about level of education and income.

Data about two other variables – the socio-economic level of the authorities' population in the aggregate level,⁴¹ and the level of the authorities' expenditures on infrastructure – were taken from another database about physical and financial data that the Israeli CBS collects annually.

In order to understand the relationship between the variables, we used a Structural Equations Modeling (SEM) model and AMOS software to analyse the data. We also conducted a path analysis among the relevant variables to determine whether there were sequential relationships among the sets of hypotheses presented above.

Findings

Our findings clearly support the hypotheses stated above. The path model in Figure 1 demonstrates that the correlations between the variables (each one of the arrows in Figure 1) are very significant ($p < 0.000$). Individual socio-economic variables, such as income and education, were positively correlated with level of satisfaction with the local environment ($b = 0.10, p < 0.000$; and $b = 0.09 p < 0.000$, respectively). Residents' degree of satisfaction with the environment was also predicted by the aggregate socio-economic level of the city's population ($b = 0.09, p < 0.000$). In turn, the socio-economic level of the city strongly and positively predicted the city's investment in infrastructure ($b = 0.74, p < 0.000$), as well as the positive assessment residents made of the local authority's performance. However, the relationship between this assessment and the socio-economic level of the residents was less strong ($b = 0.18, p < 0.000$). The level of satisfaction with environmental issues itself strongly and positively predicted the assessment of the local authority's general performance ($b = 0.44, p < 0.000$).

The general fit of the path model (Figure 1) was very good. The model had a χ^2 of 4.0 with three degrees of freedom and was not significant ($p = 0.261$). Furthermore, CMIN/DF was 1.33 (between 1 and 3 as required), RMSEA was 0.007 – 90% confidence limits (CL) 0.000, 0.022 – CFI = 1.000, and TLI = 0.999. All of these numbers indicate a very good fit between the model and the empirical data.

Furthermore, we used Pearson's correlations to analyse the relationship between the level of satisfaction with the local environment and the socio-economic status of individual residents across authorities relative to the aggregate authorities' socio-economic status. The results clearly show that the individuals' socio-economic status across cities, in all authorities, was strongly and positively correlated with the level of satisfaction with the local environment's dimensions. Thus, across municipalities, regardless of the aggregate level of the municipalities' socio-economic status, the higher the residents' socio-economic status, the more likely it is that their level of satisfaction with the local environment will be high ($r = 0.137$ and $r = 0.133$ for education and income respectively, $p < 0.000$). While the correlation between level of satisfaction with the local environment and the aggregate socio-economic status of the authority is positive and highly significant, it is much less intensive ($r = 0.098$; $p < 0.000$).

It is interesting to note that of the eight dimensions of the local environment, residents indicated their highest level of satisfaction with the neighbourhood closest to where they lived – on average, 3.07, on a scale ranging from 1 (dissatisfied) to 4 (very satisfied), Std. = 0.79. Residents ranked the other seven dimensions lower – on average, between 2.40 and 2.91.

Conclusions

Local governments are the closest level of government to the people. Hence, they offer citizens the opportunity to respond to the challenge of the fragmentation and diffusion of power within society, exercise their freedom, express their local identities, engage in politics, and obtain appropriate answers to local problems and needs.⁴² Still, there are various reasons for elected heads of authorities to prefer satisfying the interests of minorities in order to maximize their chances of re-election and keep in political power in their hands.

The structural equation model demonstrates results that could be interpreted in accordance with our expectations about seeing local environmental issues as an example of a special interest. However, an alternative interpretation could be reasonably argued from the same results. This explanation maintains that a local authority with a wealthy population simply has enough money from local taxes to invest in environmental services. Therefore, the highly evaluated performances shown in the model are motivated by the majority's expectations, not by the special interests of a minority. We counter this argument with our finding that independently of whether the authority is rich or poor, or scores high in its aggregate socio-economic status, the higher the socio-economic status of the

residents on a personal basis, the greater their appreciation of the local environment. This result held across authorities.

In addition, the fact that the element the respondents had the greatest satisfaction with was their immediate neighbourhood seems to support our hypothesis that the local environment is actually the special interest of a minority and the services provided in the local environment have features of local goods. However, the minority actually promotes a particular kind of special interest that by virtue of its nature includes the majority of residents in its benefits. Therefore, in this case the majority of residents are free riders. They benefit from the process by which a minority makes demands for improvements in the local environment and are listened to by elected officials eager to maximize their chances of re-election.

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