The politics of subnational taxation in comparative perspective

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Students of contemporary statecraft have long argued that welfare states shape societies. Social programs do not merely provide benefits to individuals. They reinforce or undermine social hierarchies and shape citizens' views about natural bases of political solidarity (Esping-Anderson 1990). In southern Europe, for instance, corporatist welfare regimes tied social protections to the male breadwinner and other traditional social institutions, while means-tested programs in Anglo-Saxon nations reinforce the social stigma of direct public benefits.

And what is true of social welfare expenditures is equally true of regimes of revenue extraction, which also shape people's lived experience of national political economies. In Scandinavian nations, cradle-to-grave social programs are supported by relatively regressive consumption taxes – a funding mechanism that blunts opposition from the rich while reinforcing the notion of public programs as a good equally maintained and beneficial to all (Steinmo 1993). Likewise, the New Deal social compact in the United States was built upon the world's most progressive income tax system, which allowed even middle income Americans to build wealth and participate in an orgy of everyday consumption (Prasad 2012).

What is true of national welfare states ought to apply equally to systems of revenue, expenditure, and governance at subnational scales. In this essay, I will argue that subnational governance regimes do not merely extract revenues and deliver services. They heighten or reduce inequities, inscribe them in space, create political subjects, and shape citizens' commonsense views about conditions of political possibility. My specific interest is in how subnational governments extract revenue – on subnational taxation in comparative perspective. In contrast to the large body of empirical and theoretical work on national welfare regimes, we know little about the comparative politics of subnational taxation. No frameworks on par with those of Esping-Anderson (1990) or Hall and Soskice (2001) exist to guide comparative inquiry into subnational governance. This is a missed opportunity because, as I will argue here, regimes of subnational taxation are every bit as varied as national welfare regimes – and, arguably, just as consequential. The essay argues for comparative research about subnational taxation by identifying related findings from fiscal and financial sociology, critical urban geography, urban sociology, and urban and regional economics that could sustain a conversation about the topic.

Expenditure and revenue levels alone point to extreme international variation in subnational taxation and governance. Consider the size and funding sources of governance at the lowest scale: local, urban, or municipal governments. As with national welfare regimes, the clearest contrast exists between Scandinavian and Anglo-Saxon nations.

Local taxes comprise a large portion of taxation in Scandinavia – as much as 16 % of GDP in Denmark and Sweden – and consist almost entirely of income taxes (Kitchens 2004). By contrast, the UK and its former colonies have historically maintained smaller local states and funded them largely through property taxes – still the norm in Canada, Australia, and New Zealand, where municipal governments collect only property taxes (Kitchens 2004).

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But, beyond this, there is startling international variation in the size, activities, and funding sources of local governments. At one extreme, municipal governments in nations like the United States assume responsibility for social services, policing, fire protection, and primary and secondary education. At the other extreme, municipal governments are virtually nonexistent – as in India and Mexico, where provinces assume most of the functions of urban governments and municipalities account for only a fraction of one percent of public expenditures (Kitchens 2004). In nations like Germany, the Czech Republic, and Nigeria, municipal governments are funded primarily with intergovernmental transfers, while municipalities in the United States benefit from no federal revenue sharing and are largely "self-financing" (Bird 2012). Sales taxes comprise a small portion of municipal revenues in most nations, but over 40 % in Hungary, Greece, and the Netherlands. Italian, Greek, and French municipalities rely heavily on corporate taxes, while Indian municipalities derive their revenue mostly from an arcane local import duty – the octroi.

Such variation in subnational taxation regimes has received comparative attention only from regional and urban economists, who are principally concerned with technical efficiency and perverse incentives for public sector overspending. But, on the contrary, a growing body of work documents that subnational taxation is central to distinct forms of distributional politics and therefore social stratification. In what follows, I argue that systems of subnational taxation do this in two ways. They transfer resources between citizens and firms and other corporate bodies and thereby define the bounds of social rights and obligations – a dynamic that has received considerable attention from critical urban geographers and other students of local political economy. And regimes of subnational taxation can also effect transfers of resources between citizens, establishing some as worthier than others of social rights and obligations – a form of redistributive politics that has received less attention from scholars.

The essay proceeds in three parts. The first section illustrates the proposition that systems of subnational taxation underlie unique forms of distributional politics by drawing upon an extreme case: the racialized fiscal politics of the Chicago metropolitan region undertaken by myself and John Robinson (forthcoming). The case illustrates how seemingly neutral and technical fiscal arrangements actually motivate transfer of resources, both between different types of citizens and between citizens and private sector developers. I argue that these patterns depend on two factors: the degree to which municipalities are self-financing and political fragmentation, or the sorting of different types of citizens into different political jurisdictions. The next two sections then examine, respectively, municipal finance and political fragmentation in the United States and other nations. This analysis leads to tentative conclusion and speculative framework for future investigation: that citizen-capital redistribution is more pronounced where municipalities are more self-financing and redistribution between citizens is more pronounced where political fragmentation is higher.

Throughout, I rely heavily on my knowledge of the United States, where significant reforms to intergovernmental finance in the 1980s illustrates important effects of such policies. This is largely due to the dearth of scholarship that both locates subnational taxation regimes in comparative perspective and illustrates how they actually function at street-level – though I cite examples of such work where I encountered it, and those willing to wade through economic and regional development journals would likely find case studies of reforms in other nations that illustrate the arguments that follow.

An illustrative extreme case: the racialization of municipal taxation in the Chicago region

The Chicago region is an extreme exemplar of common features of American metropolitan regions: the sorting of different types of Americans into different municipal jurisdictions, which are largely fiscally self-financing. As elsewhere in the United States, residential segregation is pronounced, especially along black-white lines. The black-white dissimilarity index for the region is 83.4, meaning that 83.4 % of African Americans would need to move to a different census tract to achieve a uniform distribution across all census tracts. Historically, these segregation patterns were contained within Chicago city limits, and then – later – evinced a common mid-20th Century pattern with African Americans concentrated in the city of Chicago and white Americans moving to the suburbs (Logan 1976; Denton and Massey 1993). But, as the metropolitan population has grown, segregation spilled over municipal boundaries into the hundreds of independent suburban municipalities that ring Chicago. Currently, over 70 % of municipal residents, including a majority of poor and nonwhite residents, live in suburbs outside of city limits (Hendricks 2011).

As is also common in the United States, the Chicago region's demographic patterns map onto economic divides. White suburbs are concentrated to the north of the city and include some of the richest municipalities in the United States. And even middle-class white suburbs evince high and steadily rising property values that recovered quickly after the Great Recession – a key determinant of material wellbeing, given that the capacity to build and transmit wealth via the home is central to America's privatized welfare regime (Hacker 2002; Quinn 2010; Prasad 2012). But the economic-racial overlap is not perfect. Though fully a third of black-majority suburbs are poorer than any white suburb, many white suburbs are nevertheless decidedly middle income, evincing median household incomes in the $40,000s. And the Chicago region also contains some of the most affluent African American suburbs in the United States, with median household incomes above $100,000 – meaning that these nonwhite suburbs, if embedded elsewhere, would be the richest municipality in roughly half of American states.

My co-author and I were surprised to discover that municipal fiscal conditions tracked racial, rather than economic, patterns. We discovered this when investigating patterns in policing for profit. In the United States, municipalities maintain their own police departments and sometimes look to them to collect revenues via police fines, fees, and seizures of assets (Harris 2016). Public discourse about this phenomenon typically centers on policing for profit in white municipalities undergoing demographic change – as occurred in Ferguson, Missouri a predominantly white suburb where aggressive policing and violence against African Americans moving into the area resulted in street protests and a police riot (Hendricks and Harvey 2017). But, in the Chicago region, we found some of the highest and rapidly rising rates of policing for profit in demographically stable nonwhite suburbs, particularly affluent black suburbs.

After conducting interviews with municipal officials through the region, we found that rates of policing for profit belied racialized inequities in accessing municipal revenue. Officials throughout the region, in white and nonwhite suburbs alike, espoused a similar metric of more to less desirable revenues: all reported preferring taxes assessed on nonresidents, especially sales taxes, and trying to avoid visible taxes that fall on residents. They saw property taxes and punitive fines and fees as especially unattractive. But suburbs' capacities for accessing revenues were uneven. Officials in white suburbs reported an ability to attract the sorts of commercial investments that generate sales taxes, and these reports were reflected in solvent budgets, low tax rates, shiny municipal buildings, and sundry amenities. One middle class suburb of only 8,000 residents had such a surplus of revenues that they consistently hosted the state's second largest fire work's display for the 4th of July Celebration (behind only Chicago itself).

Conversely, officials in black suburbs reported an inability to attract commercial investment and looked to less desirable revenues. The reason is rooted in spatial patterns of concentrated economic advantage and disadvantage. Chicago's white suburbs cluster in areas of concentrated economic advantage. Not all of them are affluent, but middle income suburbs are geographically proximate to ultra-wealthy areas, which include some of the wealthiest municipalities in the United States. Black suburbs, even when affluent, are embedded in areas of concentrated economic disadvantage. For instance, Olympia Fields is one of the richest black municipalities in the United States, but just five kilometers away from Ford Heights, which perennially makes lists of the poorest municipality in the United States.

This spatial arrangement benefits especially lower income white suburbs, because developers use area economic profiles to make investment decisions. In lower income white suburbs, rents are low but area income profiles are high, and they experience a windfall of investment. For black suburbs, the situation is reversed: even if they are affluent, they are embedded in a sea of poverty, and unable to attract investment. Therefore, when residents of the Chicago area – whether white or black – shop, they tend to do so in white areas, where the sales taxes that they generate remain.

What sales taxes black suburbs were able to collect were additionally lost in the form of economic incentives to commercial retailers, which municipalities throughout the region routinely grant – but disproportionately so in black suburbia. Commercial developers know that officials in black suburbia are desperate for investment and barging hard for incentives; officials often agree to onerous arrangements like a 50 % rebate of all taxes paid by incoming businesses. Given these shortfalls in commercial taxes, black suburbs raised property taxes to double or triple the rates in white suburbs (Hendricks 2011), but – as is common in the United States – were eventually prevented from doing so by property tax limitations (Martin 2008). Only police revenues were left as a funding stream of last resort.

The results of this system are at once economic, social and political. The situation in white suburbia intersects with American welfare policies, which Hacker (2002) describes as the hidden welfare state – a system of tax privileges that rewards wealth building, particularly via home ownership. Therein, the experience of steadily rising personal assets is the norm and generally understood as simply natural, as is the expectation that local government provides excellent services at low cost. In African American areas, by contrast, this suburban ideal is an uncertain economic and social proposition. Taxes are high, benefits meager, and residents risk an escalating cycle of economically motivated criminal justice involvement (Harris 2016). And, in political terms, it is likely that experiences with local government engender attitudes of enfranchisement and entitlement in white suburbia, whereas relations with police and government breed tense relations and disenfranchisement in black suburbia (see Epp, Maynard-Moody and Haider-Markel 2014).

I will argue in the next two sections that unpacking the politics of redistribution in the case of Chicago requires greater attention to two dynamics, which existing to greater or lesser degrees in municipalities in other nations. The first is the changing federal system of the United States, which once maintained a robust system of revenue sharing that disproportionately benefited poor and nonwhite communities (Logan and Schneider 1981), but has left municipalities self-financing and dependent on own source revenues since the 1980s. The second is the political fragmentation of municipal boundaries and residential segregation, which combine to segregate different types of citizens into distinct municipal jurisdictions.

How "self-financing" are local governments?

There is considerable global variation in subnational taxation: what municipalities are required to finance, whether they benefit from revenue sharing, and – if not – what own source revenues they are empowered to collect.

Nations vary, first, in the services and functions performed by municipal governments. At one extreme, American municipalities perform many functions and deliver a wide range of public services. The United States did not develop a conventional welfare and administrative state until well into the middle 20th Century (Skocpol 1995), which left many functions to municipal governments. American municipal governments provide fire and police protection, sanitation, public transportation, and primary, secondary and sometimes even courthouses and city colleges (Tabb 1982). And such services are especially expensive in the United States, because the nation lacks universal healthcare coverage and municipal employees are not covered by social security, the federal retirement program, which means that municipalities must finance employee and retiree healthcare and pensions.

Conversely, in nations like India and Mexico, the role of municipal governments is restricted. Large Mexican cities, for instance, are divided into many municipalities, and comprehensive municipal planning and administration is frequently a provincial affair. Mexico City, for example, consists of sixteen municipalities, but is administered by a single province that overlaps with municipal boundaries. Similarly, many of the functions performed by municipalities in the United States are a federal or provincial responsibility elsewhere. Most nations, for example, maintain a national police force, which fully or partially supersedes public safety officials at subnational levels (the Federal Bureau of Investigation is nominally a national police force in the United States, but it employs just 20,000 and performs only special investigations). Similarly, primary and secondary education in many nations is financed and administered by the central government, or less frequently by provinces or cantons (as in Switzerland). Conversely, some municipal governments perform additional services not covered in the United States. In some Scandinavian nations, municipalities not only deliver childcare and primary and secondary schooling, but also staff a robust system of social services and elder care. At one extreme, the Swedish Association of Local Authorities and Regions (SALAR) claims to speak on behalf of one million employees, one in ten Swedes.

Nations also vary in the degree of revenue sharing between municipalities and governments at other scales. Most nations in the global north and south maintain systems of "cascading federalism" wherein federal governments assume responsibility for the fiscal functions of states or provinces and municipalities – or just municipalities in the case of non-federated states. In nations as varied as Germany, Poland, Brazil, and Nigeria, the majority of municipal functions are financed by intergovernmental transfers (Bird 2012). Nations, like the Scandinavian countries, wherein municipalities rely overwhelmingly on income taxes are often functionally similar. Though nominally self-financing, Scandinavian municipalities typically receive a portion of income taxes collected by the federal government; since central governments apportion these funds via equalization formulas that benefits lower-income municipalities, this revenue system can be functionally equivalent to intergovernmental transfers.

Conversely, municipalities in other nations self-finance their operations to a greater or lesser extent. Chief among these are Anglo-Saxon nations, wherein municipalities have historically relied on property taxes, though here generalization is difficult as many of these nations have since reformed their systems of local taxation. Municipalities in The United Kingdom, for instance, no longer collect property taxes proper – they collect council rates assessed on longterm residents and business rates that apply to commercial enterprises, meaning that unoccupied residential properties or land are effectively untaxed (Christophers 2018).

Municipal finance in the United States, which has varied over time and continues to show large variation between states, illustrates the consequences of different means of financing local governments. Though the United States lacked a comprehensive system of municipal finance during its early history, a wave of municipal bankruptcies during the Great Depression made reforms to urban finance a priority for New Dealers (Monkonnen 1995). Additionally, most mid-20th Century elected officials came from urban districts, and both parties competed actively for the urban vote (Mollenkopf 1984; Weir, Walman, and Swanstrom 1985). This resulted in a series of ever-more generous federal urban programs, like urban renewal and the Great Society's Model Program. The most ambitious urban policy came under Richard Nixon, who proposed replacing property taxes with intergovernmental revenue sharing as a funding source for municipal governments (Martin 2008). Though the phase out of property taxes never occurred, Nixon's revenue sharing plan passed Congress. Over roughly fifteen years, federal transfers to municipalities rose and, in this respect, the American system of municipal finance began to look more like the global norm. As elsewhere, revenue sharing and other federal urban programs redistributed tax revenue to poorer municipalities, such that scholars identified middle-income municipalities as most fiscally disadvantaged (Schneider and Logan 1981).

In the late 1970s, American subnational taxation changed again. Throughout the 1960 and 1970s, popular discontent with property taxes led to conservative, progressive, and centrist visions of reforming municipal finance. But by the late 1970s property tax limitations, the preferred conservative solution, was becoming policy makers go-to policy reform (Martin 2008). Concurrently, Americans – and white Americans in particular – increasingly moved to tax-averse suburban districts, and state legislatures and Congress gradually adopted an anti-statist orientation (Weir et al. 1985), which was reinforced by the global neoliberal among parties of the left (Mudge 2018). First Democrat Jimmy Carter, then Ronald Reagan proposed altering the fiscal relationship between municipalities and the federal government, and Reagan eventually succeeded with bills that eliminated the direct fiscal relationship almost entirely (Biles 2001). Though some state governments initiated their own revenue sharing systems with cities to make up for federal shortfalls, such initiatives were uneven and uncertain since revenue sharing is expensive and states are subject to their own budget limitations. For example, Detroit was pushed over the brink of bankruptcy immediately after Michigan scaled back revenue sharing (Kirkpatrick 2015), and municipal budget woes in Illinois are a direct consequence of lagging state transfers to cities in the wake of the state's decade-long budget crisis (Hendricks 2011).

Currently in the United States, the norm is municipal governments that are largely self-financing, but required by federal and state regulations to deliver many goods and services – for instance, particular standards of primary and secondary education.[1] And how municipalities collect such revenues varies by state. As in other Anglo Saxon nations, American municipalities rely mostly on property taxes, but with significant exceptions. Oklahoma municipalities, for example, are empowered to collect property taxes only to service bonds and fund most services with various administrative fees. Municipalities in Ohio, Maryland, Michigan, and a few other states levy income taxes – in fact, Columbus, OH relies entirely on income taxes and levies no property tax. And in large metropolitan regions, the trend has been to empower municipalities to collect a broader range of revenues, especially sales taxes (Schafran 2013; Pacewicz 2016a) – as is the case in the Chicago region.

Much scholarship documents the consequence of declining intergovernmental revenues in the United States: an entrepreneurial turn in local governance that redistributes resources from citizens to capital. The dominant theoretical frameworks in contemporary urban scholarship emphasize the ideological and political dominance of moneyed interest (Logan and Molotch 1987), an investment of political resources in cultivating investment at the urban scale (Brenner and Theodore 2002), and a shift in urban governance from managerialism to an entrepreneurial effort to attract outside investment (Harvey 1989). Students of American municipal government overwhelmingly agree that attracting outside investment has become the superordinate concern of urban politicians, which has resulted in an escalating, incentive-fueled competition over corporate investments (Logan and Molotch 1987), a reorganization of urban governance around place-marketing partnerships (Harvey 1989; Brenner and Theodore 2002; Peck and Tickel 2002; Jessop 2002), and a de-legitimation of redistributive claims in local politics (Pacewicz 2016b). At the same time, many municipalities are now subject to periodic crises and everyday austerity measures, which scholars also tend to see as, following Peck and Whiteside (2016, 18), a way to "push costs, risks, and burdens of economic failures onto subordinate classes, social groups, and other branches of government."

Theorists of entrepreneurial urban governance are primarily focused on the United States, but their frameworks are commonly applied to other nations. The premise that municipal governments have made a global shift towards entrepreneurial governance is not without basis, because neoliberal ideologies of statecraft – which privilege private sector investment and a public sector organized along competitive, market-like principles – have diffused globally via networks of policy experts and party entrepreneurs (Mudge 2018). The related reliance of public sector institutions on markets and financial logics has likewise promoted a speculative mindset in urban and regional planning in many nations (see, e.g., Guironnet, Attuyer and Halbert 2016; Savini and Aalbers 2016). But, as should be evident from this section's discussion, there is reason to think that the extent and consequences of these trends varies widely by national context.

Consider one juxtaposition, which illustrates both international commonalities in municipal finance and the need for systematic comparative inquiry: the Great Recession in Norway and the United States. Though Norwegian municipalities are largely financed by the central state and not compelled into entrepreneurial statecraft, they have historically controlled revenues from municipal hydroelectric utilities. Officials in some Norwegian municipalities were influenced by a financial logic of diversification (Fligstein and Goldstein 2015) to privatize these utilities or invest their profits in financial products – like, for instance, American subprime mortgages, which soured and threw some Norwegian cities into fiscal crisis (Loding 2018). The parallel story of American municipalities during the Great Recession is well known. Many were in poor fiscal condition before the crisis, and some leveraged a significant portion of their property tax base into speculative schemes to attract outside investment (Weber 2013; Pacewicz 2016a). In the wake of the Recession, some American municipalities declared bankruptcy outright, many cut services or raised taxes, and still others sold their public assets.

On one level, there is a family resemblance in the trajectory of municipalities in the two nations: municipal officials engaged in speculative and entrepreneurial strategies involving or influenced by the financial sector. In both cases too, the risk of these strategies was socialized in ways that ultimately effected a transfer of resources from citizens to private capital (particularly after the speculative schemes went bust). But the extent of these consequences were uneven. In the United States, municipalities not only invested discretionary revenues, but frequently used mechanisms like tax increment financing and traditional municipal bonds to leverage their current property tax base or future increases in tax revenue (Weber 2013). American municipal crises were therefore deeper: cities were unable to deliver basic goods and services and were taken over by financial managers who circumvented democratic control, cut basic services, raised taxes, laid off employees, and violated healthcare and pension contracts (Peck and Whiteside 2016). In Norway, by contrast, municipal functions were largely the responsibility of the central state, and the crisis did not endanger many of the day-to-day operations of municipal governments. The worst hit Norwegian municipalities, for instance, faced a period of annual budget shortfalls of 10 % (Fouche 2008). By contrast, the worst hit American municipalities laid off 40 % of their employees or leased the rights to public goods and revenues – like city streets, airports, and collections from parking meters – to for-profit corporations (Kirkpatrick 2015; Peck and Whiteside 2016).

As illustrated by this juxtaposition, there is reason to think that a general relationship exists between the responsibilities of municipalities, the degree to which they are self-financing, and the tendency of their municipal finance systems to redistribute economic, social, and political resources from citizens to capital. For instance, case studies suggest that subnational governments' propensity to compete over investment is notably high in cases where these governments perform many functions but their reliance on intergovernmental revenue is low: Russia, where municipalities are dependent upon enterprise revenues, China where governments derive much revenue from land speculation, and the United States (see Bird 2012, Wang 2015). A comparative investigation into subnational taxation and governance could further document this relationship and reveal further exemplars.

Political fragmentation and racial segregation

The politics of subnational taxation is further shaped by political fragmentation and residential segregation: the degree to which municipal boundaries match native understandings of community boundaries and, if not, the identity of citizens who fall inside and outside municipal boundaries. As in the case of the Chicago region, there is reason to think that a high degree of political fragmentation and residential segregation engenders a politics of redistribution that shifts economic, social, and political resources between different categories of citizens.

The United States provides an extreme example of political fragmentation and residential segregation. Both trends are of relatively recent historical origin, and a closer examination illustrates the effects of these trends and invites comparison with other nations.

Prior to the 20th Century, American cities grew by annexing their suburbs (Jackson 1985). In the 19th Century, affluent Americans sought residence near the center of cities because outlying areas lacked transportation and public services. Those who settled at the urban periphery were generally poor and frequently immigrants. In this historical context, annexation was desirable to urban elites and those annexed alike. For the urban elite, annexation meant more population in an era when American cities competed to become the preeminent center of industry and commerce in the nation. And for those annexed, it meant access to city services. For this reason, 19th Century American cities rapidly expanded their boundaries, which were generally contiguous with the extent of the build environment. New York City, for example, grew by annexing Brooklyn, the Bronx, Queens, and Stanton Island.

However, technological improvements eventually allowed affluent urbanites to move to outlying areas and self-finance education and other municipal services (Jackson 1985). These affluent settlements then began challenging and resisting annexation in court. A key turning point occurred in 1873, when Brookline won a suit blocking annexation by the city of Boston, which provided a model for other cities seeking annexation (Jackson 1985). Since the early 20th Century, American cities have generally stopped annexing their suburbs, such that much of the metropolitan population growth during the last century has occurred outside the limits of the central city.

Today, there is much variation in how much land within American metropolitan regions is under the jurisdiction of central cities. Older American cities, which tend to be in the eastern half of the United States, are geographically and demographically smaller. Boston, for instance, is ringed by suburbs that resisted annexation early in its history, and contains only 14 % of the population of the Boston metropolitan region.

By contrast, newer cities, which predominate in the western part of the United States, often preemptively annexed uninhabited or largely uninhabited land early in their development and contain a greater portion of metropolitan residents. Houston, Los Angeles, and Las Vegas, for instance, incorporate, respectively 33 %, 30 %, and 47 % of their metropolitan areas. Western cities are also geographically larger vis-à-vis eastern cities. Phoenix and Oklahoma City have a similar population to, respectively, Philadelphia and Baltimore. But the former are about, respectively, four and seven times as large as the latter. At the extreme end, Anchorage, Alaska covers over 4,000 square kilometers – about one seventh the land area of Belgium.

The political fragmentation of American metropolitan regions is especially consequential due to extreme levels of residential segregation, especially black-white segregation. Contrary to popular discourse about race relations in the United States, which posits a slow but consistent historical shift towards racial equality (Ray 2019), American residential segregation became more pronounced during the 20th Century.

During the 19th Century, black populations in northern states were small and encountered segregation patterns comparable to those faced by white immigrants from southern and eastern Europe (Denton and Massey 1993). And in the American south, black populations were deliberately desegregated by a Jim Crow system that sought to divide and disenfranchise African Americans. Although a full accounting of the historical segregation process is outside the scope of this piece, segregation was not primarily the result of individual location decision. It was created by collective action by voluntary associations, municipal governments, professional associations of realtors, and the federal government rather than individual initiative (Denton and Massey 1993). During the 20th Century, African Americans in the south and those migrating to the north were pressured to move to segregated neighborhoods by informal pressure, mob violence, arson, and bombings. The color line was additionally maintained by neighborhood associations that placed deed restrictions on the sale of houses to nonwhite buyers, who minority buyers were additionally prevented from securing loans by unwilling bankers and find real estate agents willing to show homes in white neighborhoods (Denton and Massey 1993). Later in the twentieth century, discriminatory lending standards were institutionalized in federal lending guidelines, and municipalities additionally used federal highway funds and urban renewal dollars to displace communities of color into high-rise public housing projects (Sampson 2012).

These processes resulted in patterns of residential segregation that peaked in the 1940s and 50s, but remain more pronounced than 19th Century segregation patterns. The dissimilarity index in most American metropolitan regions today remains between 50 and 85, meaning that 50 to 85 % of African Americans would need to move census tracts to achieve a racially homogenous metropolis. And, in this respect, African Americans are more segregated in American society than was historically the case for any other minority group. For example, American cities have long contained ethnic areas like "Chinatowns" and Little Italies, but these neighborhoods were never populated by a majority of these ethnic groups nor did the majority of relevant ethnics live within their boundaries. That is, even at the heyday of Italian migration to the United States, most Italian immigrants lived outside of Little Italy, and Little Italies were only about 30 % Italian, with the majority or residents belonging to other immigrant groups (Denton and Massey 1993). And today, Asian and Hispanic Americans, also the historic and contemporary targets of discrimination, encounter lower levels of segregation than African Americans as evidenced by indexes of dissimilarity between .35 and .45 (Iceland, Weinberg, and Hughes 2014).

The political fragmentation of American metropolitan regions has heightened the effects of residential segregation. This process began in the mid-20th Century as white Americans, who took advantage of cheap credit policies (Prasad 2012), moved to suburbs. The effect on the fiscal health of central cities was immediate. Many white Americans continued to work and play in cities, consuming municipal services, but now lived and paid property taxes in suburbs. New York City's 1976 bankruptcy, for instance, occurred largely due to this "white flight" phenomenon (Tabb 1982). Similarly, Detroit has lost over 1 million residents since the mid-20th Century, is currently 80 % African American, and has a median household income of just $26,000. But the population of the metropolitan region has remained stable, and many of the city's overwhelmingly white suburbs are among the most affluent in the United States. Grosse Pointe, for instance, borders Detroit, is 92 % white, and has a median household income of $95,000.

But, on the flip side, some American metropolitan regions are now subject to the opposing dynamic: the return of affluent, primarily white Americans to central cities and the segregation of impoverished Americans to suburbs (Smith, Caris, and Wyly 2001; Murphy 2007; Sampson 2012; Sharkey 2014; Allard 2017). This occurs especially in metropolitan regions that have experienced a boom in tech or the financial industry. In San Francisco, for instance, the property values of the city have multiplied, while non-affluent metropolitan residents have moved to "slumburbs," located hours from the central city, which were also ground zero for many of the municipal fiscal crises that followed the Great Recession (Schafer 2013). As evidenced by the case of the Chicago region, systems of municipal finance in such metropolitan areas effectively work to confer economic and social privileges to some, while channeling revenues and privileges away from others.

Whether systems of municipal finance in other national contexts produce analogous redistributive processes is an open question, but one worth investigating comparatively. I have argued here that there are two preconditions to this redistributive process in the United States – political fragmentation and residential segregation – which also exist in other nations.

Trends in metropolitan political fragmentation are too varied to allow for a straightforward international typology. At one extreme, municipal fragmentation in some nations is more pronounced than in the United States, albeit for different reasons. In Brazil, for instance, federal revenue sharing policies incentivize the formation of new municipalities, which have risen in number by roughly 50 % in the last two decades (Bird 2012). Conversely, many European nations evince an apparent willingness to incorporate outlying areas, though not without limits.

Likewise, trends in residential segregation outside the United States have received less comparative attention. However, recent studies demonstrate large increases in residential segregation in Europe. Immigrants of non-European extraction live in the suburbs of many major European cities, and evince patterns of segregation on par with those of African Americans in the United States. In Nordic countries, for instance, dissimilarity index for non-European immigrants is above .5 for many cities (Malmberg et al. 2018) – more pronounced than segregation of Latino or Asian immigrants in the US. I have argued that the economic, social, and political consequences of such segregation will depend in part upon the foundations of municipal finance and governance within host countries.

Towards a typology of the politics of subnational taxation

Given the documented importance of subnational taxation regimes, more comparative work is needed. Students of the city are generally aware that systems of municipal finance do more than fund city services. They also shape societies, and the relative balance of power between citizens and capital has received considerable attention within urban studies.

Nevertheless, more comparative focus on subnational taxation can advance the debate in two ways. First, it can produce greater insight into the scope and consequences of global trends in municipal governance. In Norway and the United States alike, municipal leaders were inspired by the financial sector to adopt more speculative modes of governance. But the way that they pursued these strategies and the consequences once speculative schemes went bust, was radically different in the two contexts. Only by understanding systematic differences in the constitution of local governance can one gain analytical insight into why this was the case.

Second, comparative attention to subnational taxation can yield insight into a form of redistributive politics that has received less attention from students of subnational political economy: a redistribution or resources, social status, and political voice between different categories of citizens. Students of contemporary urban governance are often inspired by the Marxist tradition, and portray the winners of municipal politics as a narrow subset of the capitalist class – a growth coalition, for instance, – consisting of those with an economic stake in land values and their immediate allies (Logan and Molotch 1987). But case studies of the United States and potentially other nations show that the category of winners is much larger. In the Chicago region, for instance, middle income white municipalities and their residents effectively receive an invisible wealth transfer from nonwhite metropolitan residents via commercial taxes. Such redistribute dynamics are both interesting in their own rite and present an opportunity for scholars of urban governance to engage bigger questions about national political economies. The politics of racialized redistribution in American suburbs, for example, is surely central to patterns of electoral support for market-driven and entrepreneurial public policies, which appear to benefit not just capital but also white suburbanites.

Endnote

1 Because many state constitutions contain provisions mandating equality of education, this is one area wherein school districts or other overseeing municipal governments commonly receive intergovernmental transfers – though from states, rather than the federal government, which established many educational mandates.

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