



# “Love thy neighbour”? The effect of income and language differences on votes for municipal secessions

Simon Lapointe

VATT Institute for Economic Research, Arkadiankatu 7, 00100 Helsinki, Finland



## ARTICLE INFO

JEL:  
D72  
H73  
H77

### Keywords:

Secession  
Diversity  
Voter behaviour  
Municipal mergers

## ABSTRACT

This paper studies voters' preferences on municipal borders in a setting with cohabiting linguistic communities. It takes advantage of unique data from referendum results in the Canadian province of Quebec in 2004, which allow a direct investigation of voter preferences. I find that differences in income and language affect the likelihood of secession. Notably, I also find that these effects are interdependent, suggesting that the support for a local secession is affected to some degree by out-group aversion. Finally, I find that voters are willing to pay additional taxes to live in their jurisdiction of choice.

## 1. Introduction

To promote greater efficiency in the delivery of local public goods, some form of municipal consolidation took place in many countries in recent years. However, voters may oppose such mergers for at least two reasons. First, there is a trade-off between economies of scale and heterogeneity of preferences (see, e.g., [Alesina and Spolaore, 1997](#)). Larger jurisdictions can provide public goods more efficiently, but there might be a better match between the preferences of voters and public goods in smaller jurisdictions.

Second, voters might inherently dislike living in heterogeneous jurisdictions and interacting with people of different groups. In fact, [Putnam \(2007\)](#) argues that people in diverse neighbourhoods “hunker down;” they have lower trust in others and fewer friends. Several researchers<sup>1</sup> have shown that the co-existence of different ethnic groups in municipalities or communities can lead to public goods of lower quality ([Alesina et al., 1999](#); [Algan et al., 2016](#)), to lower spending on social welfare ([Luttmer, 2001](#)), or lower redistribution ([Freier et al., 2016](#); [Dahlberg et al., 2012](#)). Similarly, increased diversity on municipal councils can lead to less public spending ([Beach and Jones, 2017](#)). [Wong \(2013\)](#) also finds, using data from Singapore, that people prefer

living in neighbourhoods with people of their own ethnic group. This aversion to heterogeneity, however, may come at the cost of productivity and social welfare ([Ottaviano and Peri, 2005, 2006](#)). That being said, other researchers have also challenged the idea that increased diversity leads to local public goods of lower quality (e.g., [Hopkins, 2011](#); [Lee et al., 2016](#)), suggesting a need for further research on the topic.

With respect to municipal borders specifically, this second argument was briefly evoked by [Alesina et al. \(2004\)](#) in their study of the determinants of local borders in U.S. counties. Similarly, [Brasington \(2003\)](#) shows that for school districts in that country, differences in racial composition decrease the probability that district boards approve consolidations. Notably, in the case of whiter communities, consolidations with darker communities are less likely to be approved by the board as income differences (whether richer or poorer) between the two communities increase. In an earlier paper, [Austin \(1999\)](#) looks at the role of race in municipal annexations in the United States, suggesting that cities used annexations to dilute the voting power of the non-white population.

In this paper, I study the preference of voters over municipal borders, using results from a large number of simultaneous referendums. I explore the role of socio-economic differences between the voters or

E-mail address: [simon.lapointe@vatt.fi](mailto:simon.lapointe@vatt.fi).

<sup>1</sup> See reviews by [Alesina and La Ferrara \(2005\)](#) and [Stichnoth and Van der Straeten \(2013\)](#). This literature is also related to the one in experimental economics (e.g., [Chakravarty and Fonseca, 2014](#)) and psychology (e.g., the social identity literature introduced by [Tajfel and Turner \(1979\)](#) and discussed in the context of economics by [Akerlof and Kranton \(2000\)](#)).

different cities, as well as public finance aspects. I also explore whether socio-economic differences affect support for secession only through a preference channel, or if out-group aversion also plays a role. The setting of this paper affords substantial advantages over previous studies.

First, the setting allows the analysis of voter preferences directly, instead of relying on the choices of local government officials. Indeed, previous studies looked at choices made by elected officials, which might reflect the preferences of voters, but also those of officials themselves. For example, [Hyytinen et al. \(2014\)](#) find that in Finland, politicians may vote for or against mergers based on career considerations, instead of voter preferences. [Sørensen \(2006\)](#) finds similar results in Norway.

Second, my setting allows an analysis of whether out-group aversion sways the border preferences of voters. Indeed, voters from the two main linguistic groups in Québec (French and English) often live in separate towns, and for many of them, the mergers changed the linguistic composition of their municipality of residence. These two groups have a history of conflict, and some resentment persists to this day.<sup>2</sup> Previous analyses of local jurisdiction borders often looked at the effect of racial composition, especially in the United States. Combined with the usage of direct voter preferences, my analysis provides a deeper understanding of the role of ethnic differences in the preferences for local borders, and how it generalises to sources of ethnic differences other than race.

Third, by using referendums on *de-mergers* instead of decisions on *mergers*, I can circumvent much of the difficulties encountered by other researchers studying municipal mergers. [Saarimaa and Tukiainen \(2014\)](#) explain these difficulties in depth. In summary, the difficulty results from i) the two-sided nature of the decision, such that each partner must agree for researchers to observe a merger; ii) the fact that each city has many potential merging partners, but we only observe one subset of them; iii) the possibility of mergers that involve many partners, and not only two; and iv) the spatial inter-dependency of mergers, such that a realised merger changes the set of possible mergers for all adjacent municipalities.<sup>3</sup> With data from *de-merger* referendums instead, the analysis is much simpler. Voters are asked to express their opinions, choosing between only two alternatives: accept the merger, or secede from the consolidated town. While few papers previously used referendums on municipal consolidations before, their analysis was limited by data availability or by the context under study.<sup>4</sup>

More specifically, I use data from a set of municipal referendums in the Canadian province of Quebec. After the provincial government uni-

<sup>2</sup> For historical context on language and identity in Quebec, see [Taylor et al. \(1973\)](#) and [Thomson \(1995\)](#). A more general treatment on the role of language in the formation of identity is provided in [Edwards \(2009\)](#). In Spain, for example, language is a strong differentiator between Catalonia and the rest of the country. In that region, [Clots-Figueras and Masella \(2013\)](#) find that individuals who had greater exposure to the Catalan language in school had a greater probability to support regional parties. These results support the idea that language is important in the formation of group identity. In Quebec, the French-speaking majority actually organised two secession referendums in 1980 and 1995, from Canada as a whole.

<sup>3</sup> Researchers can overcome these difficulties in different ways, such as using structural methods (e.g., [Weese, 2015](#); [Gordon and Knight, 2009](#)) or conducting the analysis at the merger level instead ([Saarimaa and Tukiainen, 2014](#)). [Di Porto et al. \(2017\)](#) instead look at choices to cooperate on specific local goods, instead of outright mergers, using novel discrete choice methods.

<sup>4</sup> [Brink \(2004\)](#) uses data from public consultations in Swedish municipalities, but her dataset only includes few observations over 20 years, and only in cities that officially requested one. [Tanguay and Wihry \(2008\)](#) also use data from the referendums in Quebec, but they abstract from discussions on the role of out-group aversion. Moreover, they use only a limited sample in their main analysis, and focus on only one of the possible outcomes. Finally, [Miyazaki \(2014\)](#) uses data from referendums in Japan regarding the approval of mergers. However, in contrast to the current paper, these Japanese referendums were organised locally, and thus not uniform. In addition, they were voluntary and non-binding.

laterally enforced a wave of municipal mergers starting in 2001, public opposition led to the organisation, in 2004, of simultaneous public consultations in the 213 cities that were part of the forced merger wave. In this consultation process, voters were asked if they wanted their pre-merger town to secede from the consolidated municipality. Using local data from the Canadian Census just before the mergers, I analyse which factors affect support for municipal secession, and eventually the decision to secede.

My results first show that differences in socio-economic characteristics (including income and language) between a town and its merger partners increase the probability of that town opting for secession. Moreover, richer and more English-speaking towns show greater support for secession. These effects are robust to the inclusion of a number of additional control variables, including differences in political preferences, and previous economic integration with the merger.

Notably, I find these results even though some degree of cooperation in the provision of local public goods remains between merger partners after a secession. This suggests that the effect is not only due to differences in preferences. To explore potential mechanisms, I conduct additional analyses using interaction terms between income and language differences. These show that differences in language composition alter the effect of income differences. More specifically, the effect of income differences is significantly larger when language differences are larger. Put differently, the decision to secede from a merger is affected to some degree by out-group aversion. This result is robust to the inclusion of additional variables and to the choice of specification. It is also in line with some of the previous literature finding that diversity negatively affects public goods provision. In fact, secession may give voters the opportunity to create a more homogeneous jurisdiction in which to provide local public goods.

In addition, I show that the probability to secede is lower when voters expect a tax increase following the re-constitution of the old town.<sup>5</sup> However, even among towns that did secede, taxes were, on average, expected to increase. In other words, voters are actually willing to pay to avoid being merged with towns of different average socio-economic characteristics.

The next section provides some context on the municipal organisation in Quebec, and the policies that led to these referendums. Section 3 presents the empirical strategy and the data used in the analysis. Section 4 presents the main empirical results, while Section 5 considers the more sophisticated models that offer a deeper exploration of how linguistic differences affect the choice of de-merger. The last section concludes.

## 2. Institutional context: Municipalities in Quebec and the rules governing the referendums

To put the referendums into context, this section first offers a brief overview of municipalities in Québec, followed by a discussion of the merger process that preceded the referendums, in 2001. In 2000, there were around 1300 municipalities<sup>6</sup> in the Canadian province of Quebec. Municipalities in Quebec are responsible for a range of local public services.<sup>7</sup> These services include police and fire protection, local

<sup>5</sup> Before the consultations took place, the government asked private consultants to estimate the tax impact of re-constitution on a typical family in each individual town. This information was publicly available to all voters.

<sup>6</sup> Municipalities in Quebec include towns, cities, villages, etc. In this paper, I will use these terms interchangeably, as my focus is not on the differences between these categories.

<sup>7</sup> This is in contrast to [Brasington \(1999, 2003\)](#) and many others in the literature, who examine the preferences on borders of jurisdictions, such as school districts, which provide only specific goods such as schooling. In fact, [Alesina et al. \(1999\)](#) argue that “ethnic groups can have polarized preferences even over a seemingly neutral public good like highways.” For this reason, it is worthwhile to study jurisdictions who offer a broad range of local public goods.

Download English Version:

<https://daneshyari.com/en/article/7383690>

Download Persian Version:

<https://daneshyari.com/article/7383690>

[Daneshyari.com](https://daneshyari.com)