RENT-SEEKING AND MUNICIPAL SOCIAL SPENDING Data from America's Early Urban-Industrial Age

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The term *rent-seeking* refers to special interest group efforts to seek special benefits at little or no cost to themselves. Because government spending has the potential to create both costs and benefits for taxpayers, fiscal policy is commonly viewed as a primary arena of rent-seeking activity. At least five different theories of nineteenth-century American urban development fit this general rubric. Each theory predicts different winners and losers as well as different underlying strategies and distributions of interests incumbent upon municipal decision making. This study uses two-wave panel data on special interest group representation and municipal social spending to examine the validity of these different theories of rent-seeking. Though all such theories share in common an emphasis on self-seeking, this study points to the role of competition between different sectors of the local economy as a motivating force for the formation and mobilization of special interest group organizations. This finding contrasts with those rent-seeking theories that predict widespread cooperation among communities and/or classes in pursuit of common goals. Suggestions for future research on this topic are offered as well.

Keywords: urban politics; interest groups; rent-seeking; civic associations

Rent-seeking is a term used by economists to describe the process whereby economic actors seek benefits at little or no cost to themselves (e.g., Abrams 1980; Buchanan and Tullock 1962; Elster and Hylland 1986; Krueger

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1974).¹ A decision to build a new railroad line at taxpayers' expense might have specific benefits for firms located near that proposed line, for example, and the subsequent decision to build it would thus provide those firms with significant benefits while defraying the costs to the public as a whole. Given the huge costs and benefits involved in public spending, the stakes of rentseeking competition in the government fiscal arena are particularly high. Producers and consumers, taxpayers and benefit-receivers, all potentially have competing interests in such a process.

Though sociologists and historians are less apt to use the vocabulary of rent-seeking than economists, the general idea is often evident in their work. When historians refer to processes such as "urban boosterism" (Boorstin 1965) or "welfare capitalism" (Weinstein 1968), for example, they are making implicit claims about the rent-seeking activity of specific groups in the urban polity. They note the convergence of interests and outcomes and describe it as the result of special interest group activity. Thus, one might think of rent-seeking as a shorthand way of talking about interest-seeking more generally.

On the other hand, sociologists bring to the table a tradition of concern with the actual form and function of complex organizations as they come to bear in political and economic processes alike. Economistic versions of rent-seeking theory not only require analysts to make rather strong assumptions about the means and ends of voters, bureaucrats, and elected officials (Green and Shapiro 1994; Starr 1988); they assume a rather frictionless process whereby interests are easily aggregated, tallied, and accounted for in the policy-making process. One thing political sociologists might thus contribute to this body of theory is a more realistic conceptualization of the role of organizations and organizational structure in such processes (for recent work in this vein, see, e.g., Bridges and Kronick 1999; Clemens 1997; Domhoff 1990; Mohr 1994; Skocpol, Ganz, and Munson 2000).

The focus of this particular study is on the role of trade organizations and professional associations in the arena of municipal fiscal policy. I focus on these groups because they represent voluntary associations founded specifically for the purpose of representing economic actors' financial interests in the public domain. Such groups have been the locus of increasing attention by sociologists, historians, and political scientists studying the origins and efficacy of special interest, or lobby, groups in the United States (Chung 1997; Chung and Granovetter 1999; Heinz et al. 1993; Kaufman 2002; Knoke 1986; North 1985; Perrow 2002; Roy 1997; Schneiberg and Bartley 2001; Skocpol 1997; Tullock 1989; West and Loomis 1999).

More specifically, the research presented here addresses the following question: What evidence can be found in support of the thesis that fiscal

policy decisions reflect the rent-seeking efforts of special interest group lobbies? Though a number of sociologists and political scientists have already addressed this question in part (e.g., Clark and Ferguson 1983; Dahl 1961; Elkin 1987; Heinz et al. 1993; Katznelson 1981; Laumann, Marsden, and Galaskiewicz 1977; Logan and Molotch 1987; Truman 1951), the focus here is on a period in American history in which the origins, influence, and existence of special interest groups is still under question (cf. Clemens 1997; Kaufman 2002; Olasky 1992; Putnam 2000; Ryan 1997; Skocpol 1997).

My answer comes by way of empirical examination of spending patterns in a cross-section of large American cities as they relate to their respective patterns of special interest group representation. Though the historical literature on special interest group activity in American political development offers many interesting anecdotes and clues, it leaves the historical sociologist wondering how generalizable such observations might be across time and space. I have endeavored to address this issue by collecting quantitative data that afford a rather broad view of rent-seeking activity in America's early urban-industrial age. Although it would be nearly impossible to document the specific actions of all groups across this many cases, I gain analytical leverage in knowing that whatever indirect evidence I might find to support my conclusions holds up across a range of cases.

My causal argument is similarly bolstered by the use of two-wave panel data, which allows me to show that change in the independent variable is associated with proportional change in the dependent variable. Thus, I can say with some confidence that the rising presence of a certain kind of special interest group organization is associated with a comparable rise in a certain kind of municipal social spending across a wide range of cities, ceteris paribus. Nonetheless, an inevitable shortcoming of this type of analysis is that it cannot identity exactly how individual interests groups acted to influence politics in their locale; thus, I recommend that these results be seen as a complement to, rather than a replacement of, more qualitative work on rentseeking and interest group activity.

RENT-SEEKING IN THEORY AND PRACTICE

The theory of rent-seeking has special utility for political sociologists to the extent that it focuses attention on the dual role of constituents as both the benefactors and beneficiaries of governmental spending. Political actors have the potential to oppose, as well as support, policies that entail the direct or indirect redistribution of income. Even policies that grant only rights and privileges, as opposed to actual goods and services, have the potential to confer economic benefits on specific groups, firms, and individuals. Rentseeking theory is thus germane to political sociologists' purposes in that it grows out of a larger social scientific tradition concerned with the mechanisms underlying the allocation of public and private goods. This perspective is also consistent with institutional perspectives to the extent that it can help explain how political actors mobilize around culturally embedded goals within the constraints of specific political structures (Dobbin 1994a; Fligstein 1996).

The late nineteenth century offers a particularly compelling opportunity for research on rent-seeking. It was a period when American cities experienced unprecedented growth. Industrialization, immigration, and technological advances in transportation and public health all put pressure on municipal governments to fund and manage new infrastructural and public service projects (Monkkonen 1988). The late nineteenth century was also a period of major transformations relevant to the topic at hand: the rise of the modern special interest group (Clemens 1997; Kaufman 1999; Schudson 1998; Powell 1988), the rise of the American business corporation (Roy 1997), and the emergence of laissez-faire doctrine in American economic thought (Dobbin 1994b; Hartz 1948). Because of the unique structure of American federalism, furthermore, late-nineteenth-century municipalities were largely responsible for crafting their own fiscal policy ("home rule," in the parlance of the age), flexibility which was significantly curtailed by state legislatures in the twentieth century (Sbragia 1996). Thus, municipal spending policies of the era should reflect the push and pull of various local actors, from manufacturing interests to professional organizations to taxpayer lobbies. Last, this period is advantageous for this study's purposes because it predates the rise of the suburb and the automobile, both of which transformed the role cities (and city governments) played in economic development and service provision (Jackson 1985).

Methodologically speaking, cities provide a sizeable population for which information about fiscal policy, economic growth, and interest group activity is readily available. This study makes use of a unique set of information about 53 major American cities between 1880 and 1890. The analyses focus on growth in public spending on education, street lighting, infrastructure (excluding street lighting), police and fire departments, and poor relief over that period—all areas of municipal spending about which the U.S. Census recorded specific information for both census years.² All of the above are policy domains in which goods and services with potential benefits for specific economic actors are sponsored by taxpayers as a whole. By combining census data on economic and fiscal growth with city directory information on the growth of special interest groups like professional and industrial/

mercantile (i.e., general business advocacy) organizations, one gains a unique glimpse into the role of rent-seeking in urban fiscal policy over time. Although a quantitative approach such as this sacrifices something in the way of understanding the actual events and dynamics of rent-seeking activity, it also contributes something by way of elucidating general trends across space and time. The qualitative literature on American politics suggests a number of different conclusions about interest group activity and its outcomes. My aim is to assess the relevance of five such conclusions with respect to a wide range of cases. Nonetheless, my results should be seen as suggestive rather than conclusive with regard to the subject.

FIVE THEORIES OF RENT-SEEKING IN AMERICAN URBAN DEVELOPMENT

The historical literature on fiscal growth in American government contains many accounts of rent-seeking behavior on the part of one or another interest group. Sometimes these accounts are explicit about the role of special interest lobby groups; other times their presence is merely implied; but most share in common the idea that government spending is driven, in part, by rent-seeking. What is interesting for my purposes is the fact that different accounts offer different predictions about the proposed relationship between special interest group pressure and government spending. Some accounts emphasize lobby group efforts to promote government spending in areas that will benefit the local economy; others focus on the role of the very same groups in seeking tax relief through fiscal conservatism. My focus here is on the probable impact of lobby organizations representing two allied but distinctly different economic interest groups: professional associations and general business advocacy organizations (i.e., groups representing owners of factories, warehouses, stores, brokerages, and other general business operations).³

One example of rent-seeking theory as applied to American urban development is that of *urban boosterism*. According to this theory, affluent urban voters lobby for policies that would promote the attractiveness of their city to outside investors and migrants. Historians of American urban politics often make this case (Belcher 1947; Boorstin 1965; Curry 1997; Logan and Molotch 1987; Monkkonen 1988; Scheiber 1973; Schlesinger 1933; Wade 1964). Class is rarely the focal point of such analyses because it is generally assumed that all city residents would benefit from government-spending programs that improve the image of their city. Says historian Daniel Boorstin (1965) of the mid-nineteenth-century American West, for example, The lore of the West is full of the bitter rivalries of enterprising early settlers for a government handout to their community. . . . Every such state institution meant buildings to be built, people to be employed, food, clothing, and services to be bought. It meant clients for the lawyers, patients for the doctors, customers for the shops, guests for the taverns and hotels. Above all, it meant increased population with the increased land values that always came along. (p. 162)

Booster support might be directed toward almost any area of government spending, but popular items were water and sewage systems, roads, parks, street lighting, railroad stations, universities, and hospitals (Boorstin 1965, 115-68; also Belcher 1947; Hammack 1982; Schlesinger 1933; Wade 1964).

Furthermore, competition for government rents was fierce, thus creating an opportunity for community interest groups to cooperate with one another in pursuit of available funds. Boorstin (1965, 115-16) presents an image of the ideal-typical American businessman as a man not interested in commercial affairs alone but a "community maker and community leader. His starting belief was in the interfusing of public and private prosperity." By promoting public works, these men enriched both themselves and their communities, or so theory would have it.

To replace anecdote with evidence, I have here the means to examine patterns of urban boosterism in the 53 largest cities of the United States between 1880 and 1890. Though I do not have perfect data at hand, I am able to examine the relationship between the presence of economic interest group organizations and public spending on "boosterish" amenities like street lighting, infrastructure, police and fire protection (four categories for which the 1880 and 1890 censuses offer detailed cross-sectional information). More specifically, my presumption is that, should the theory of urban boosterism hold, I should find a statistically significant positive relationship between municipal spending in these areas and the number of mercantile/industrial and professional organizations therein (the two categories of interest group organization on which I have data here). Because the data include two waves of information from each city, I will be able to make relatively strong claims about the causal direction of this relationship. I will not, however, be able to assess the role of different mobilization tactics and regimes in this process. This is left to case-based studies of American city politics.

Although the "booster" literature is fairly specific about the relationship between interest group activity and the provision of municipal goods and services such as infrastructural development and police and fire protection, it is less specific about booster support for items such as public education and poor relief, two of the spending categories for which the census also provides cross-sectional time-series data. City boosters often sought to build

universities to increase their city's reputability, for example, but it is not clear how they might have viewed secondary and elementary education. Similarly, a city full of bedraggled streetwalkers might not be good for business, but on the other hand, generous poor relief programs might merely attract more needy persons inside city limits. Thus, as noted in Table 1, there is only moderately strong reason to expect a positive relationship between both measures of interest group mobilization and public spending for education and/or poor relief. (All data are summarized in Table 2 and discussed in detail shortly.)

A second theory of urban expenditure, *welfare capitalism*, picks up on exactly this shortcoming in the booster literature. The theory of welfare capitalism expands on the notion of commercial self-interest to explain the growth of government social service programs in American cities of the late nineteenth century, but it focuses on a different set of interests and concerns in the public sphere: Wherever business thrived in the early industrial United States, strikes, shutdowns, and general working-class discontent posed a threat to business owners and elites alike. Arguably, one way business owners responded to this threat was to support publicly funded social services like job training and poor relief—hence the term *welfare capitalism*.

Though the bulk of literature on welfare capitalism focuses on business support for the Social Security Act of 1935 (Berkowitz and McQuaid 1988; Lustig 1982; Quadagno 1988; Skocpol and Amenta 1985; Weinstein 1968), several leading historians have also made similar arguments about emerging public services in American cities of the late nineteenth century (Boyer 1978; Hofstadter 1955; Katz 1986). The presumption here is that lobby groups representing community business leaders would lobby for increasing municipal expenditure on public goods like education and infrastructure, the former because it would appease and improve the lot of would-be workers, the latter because it might provide jobs for those unable to find work in factories, warehouses, or stores.

Capitalist support for education seems highly probable in this regard, owing to the direct benefit capitalists might accrue from increased human capital among the future workforce. Given the theory that the primary motive behind welfare capitalism is protecting the interests of property and business owners, one might also expect strong support for spending on law enforcement. The welfare capitalism literature also suggests that capitalists would see stable social services for the poor as a means of quelling working class unrest. The historical literature does provide examples of this kind of thinking. In 1869, for example, "The director of the Chicago Relief and Aid Society stressed the civic importance of aid to unemployed workers whose 'labor is needed here in the summer' but who could not 'go elsewhere in the winter'" (Katz 1986, 43).

	Education Spending, 1890	Infrastructure Spending, 1890	Street Lighting, 1890	Police, 1890	Fire, 1890	Poor Relief, 1890
Urban boosterism						
Professional						
organizations, 1890	(+)	+	+	+	+	(+)
Industrial/mercantile						
organizations, 1890	(+)	+	+	+	+	(+)
Welfare capitalism						
Professional						
organizations, 1890	+	(+)	(+)	+		+
Industrial/mercantile						
organizations, 1890	+	(+)	(+)	+		+
Professional protectionism						
Professional						
organizations, 1890						-
Industrial/mercantile						
organizations, 1890						
Intersectoral competition						
Professional						
organizations, 1890		(-)				(-)
Industrial/mercantile						
organizations, 1890		(+)				(+)
Fiscal conservatism						
Professional						
organizations, 1890	-	-	-	-	-	-
Industrial/mercantile						
organizations, 1890	-	-	-	-	-	-

TABLE 1: Predicted Relationships Between Interests and Rents

NOTE: Parentheses indicate relationships about which there are only very tentative hypotheses (i.e., areas in which the literature does not provide specific predictions).

A large police force would be vital to put down working-class agitators should class violence arise. Capitalist support for infrastructure and street lighting are more ambiguous questions. With respect to infrastructure and street lighting, one might assume that capitalists would support them to support urban job creation. On the other hand, government jobs might drive up wages in the private sector. Furthermore, even if capitalists did advocate for spending in these areas, the data at hand provide no way of knowing whether their motive in doing so was job creation or urban boosterism. For heuristic purposes, I will remain tentative in my expectation with regard to this relationship (see Table 1).

Once again, the prevailing wisdom of welfare capitalism theory seems to be that there should be a fair degree of consensus among economic elites with regard to the desirability of public education and police enforcement, both of which would keep the lower classes docile and well trained for industrial work. Thus, by this account, one should expect to find a positive relationship between the growing presence of special interest groups devoted to business owners and professionals and municipal spending on public education, poor relief, and police. I also have reason to think that there might be a positive relationship between the presence of these same interest groups and public spending on infrastructural development and street lighting. Both would provide help to those not fortunate enough to find regular work in the burgeoning factories of the age, thus stemming the potential for violence among the unemployed.

In contrast, some of the literature on professionalization in the United States portrays the nation's increasingly powerful professional lobby organizations as being outspokenly opposed to the public provision of services for the poor. Starr (1982) argues, for example, that the American Medical Association was strongly opposed to government health insurance schemes owing to its members' fears that this would hurt business opportunities for private physicians. Similarly, Lubove ([1965] 1983, 53) portrays the growing ranks of professional social workers as inimical to public relief, supporting instead relief through private welfare agencies: "Public welfare concentrated upon the 'unprofessional' tasks of classification, determination of eligibility, and routine surveillance in contrast to social diagnosis.... The values and institutions associated with the professionalization of social work were generated primarily in the private sphere." According to the theory of professional protectionism, therefore, the "interest" of professional organizations lies in controlling employment opportunities and profits within their particular domain (Abbott 1988; Larson 1977; Starr 1982). Because municipal support for public poor relief might force professionals such as doctors, lawyers, social workers, and nurses to volunteer for low-paid positions, or at least charge some clients less, one might expect many professional organizations to lobby against increased spending on poor relief.⁴ The question examined here is whether such sentiments were widespread enough among the ranks of professionals to facilitate a consistent trend in social welfare spending across the 53 largest cities of the nation between 1880 and 1890. According to this theory, one should expect to find a negative relationship between the presence of professional lobby organizations and municipal spending on poor relief, ceteris paribus.

Implied in the foregoing theory is the idea that participants in different sectors of the economy might have different preferences vis-à-vis municipal

spending policy. Professionals might be opposed to spending on public poor relief, for example, whereas industrialists might support it. In general, one might refer to this perspective as *intersectoral competition*. The prevailing notion is that interest groups representing specific economic interests will lobby for policies that promote those interests and against policies that do not promote those interests. Thus, this theory should lead one to expect contrasting relationships between the presence of special interest group lobbies representing different sectors of the economy and municipal spending in areas that might affect them differently.

This theory is consistent with contemporary thinking about pluralist politics, and it encompasses the previous three theories to the extent that it supports their predictions in those locales where the relevant interest groups were prominent enough to influence public spending. It differs, however, in highlighting two additional features of the rent-seeking process not seen in the perspectives reviewed thus far: First, it focuses directly on the role of competition between interest groups in the urban political sphere (e.g., Dahl 1961; Hammack 1982); and second, it incorporates the observation that interest groups do not only lobby for advantageous policies but also against those that will use government funds but not benefit them directly (e.g., Clark and Ferguson 1983; McDonald 1985). Although these are not particularly novel observations about pluralism per se, they are notably absent in many of the works described thus far. My aim is to use broadly generalizable data to examine which, if any, of these theories most accurately describes rentseeking in late-nineteenth-century American cities: Though I do not have the means to actually document specific instances of competition and/or collaboration, the data at hand will allow me to assess whether cooperation across different sectors of the economy was the exception or the norm.

Unverifiable differences in the power, commitment, and mobilization of rival special interest groups makes the outcome of such competition hard to predict. In this case, such contrasts seem likely to appear in support for spending on poor relief and infrastructural development. Both would presumably benefit ordinary business owners by promoting a skilled, docile, and disciplined urban-industrial workforce. Professionals, on the other hand, might bear the costs of supporting such programs without seeing their businesses benefit greatly. Nonetheless, I consider this theory to offer an openended prediction about the relationship between different interest group lobby efforts, as opposed to a specific prediction linking one variable to another. That is, any evidence that shows the two different interest groups having the opposite effect on the same area of spending will be taken as evidence in support of the intersectoral competition perspective. This is in contrast with theories of rent-seeking behavior that predict general unanimity

between professional organizations and mercantile/industrial groups as to the proper ends of municipal spending.

One last theory of rent-seeking is probably the most recognizable to American sociologists today: *fiscal conservatism*, or general opposition to paying taxes of any kind. According to historian Terrence McDonald (1985), this sentiment was often strong in nineteenth-century American cities, so much so that municipal policy makers had to either limit spending or find alternative ways of funding municipal social spending. Though income taxes did not generally exist in the period in question, municipalities often raised revenue through taxes on real estate and personal property. To the extent that such taxes constituted fiscal mechanisms for redistributing income from rich to poor, one might thus portray property and business owners' efforts to limit taxation as a form of negative rent-seeking-that is, a search for relief from one of the costs of residence. Contemporary experience might also lead one to expect special interest group lobbies representing professionals and business leaders to be opposed to any government spending policy that might raise their taxes (e.g., West and Loomis 1999). Note again that in contrast to the intersectoral competition perspective, fiscal conservatism assumes a concordance of interest across these two different interest groups on the issue of government spending.

Table 1 summarizes the hypotheses discussed above as they pertain to several different areas of municipal social spending between 1880 and 1890. The hypotheses indicated here are meant only as preliminary means of operationalizing the various theories in question; they are not hard-and-fast predictions but only guidelines for evaluating their salience with respect to the data.

CAVEATS AND CLAIMS

To examine the applicability of these five different theories of rent-seeking in relation to municipal budgets after the Civil War, I have compiled data that aim to operationalize as realistically as possible the inputs and outputs of the budgetary process at that time. The data come from the 53 largest cities in the United States (as of 1890) and include information on those cities' municipal budgets, economic structure, political climate, and special interest group representation in 1880 and in 1890. I focus on six areas of municipal spending with special relevance for special interest group activity: public spending on education, infrastructure, street lighting, police and fire protection, and poor relief. As noted earlier, these categories are not of my own construction; they represent the data as presented in the 1880 and 1890 census reports. Unfortunately, these reports do not provide much information about how exactly they defined each area, nor why, for example, they chose to separate street lighting and infrastructure spending. Nevertheless, spending in each of these areas does have important costs and benefits for different segments of a city's economy, and it is lucky data exist on so many cities for two separate census years. Given my focus on rent-seeking, I thus examine public spending in each of these areas as a politically negotiated settlement between constituents seeking both public subsidies (i.e., "positive" rents) and tax relief ("negative" rent).

In contrast to an earlier study of cross-sectional differences in per capita municipal spending among this population of cities (Kaufman 1999), I use two-wave cross-sectional panel data here to examine the causal mechanisms underlying the fiscal policy-making process. Whereas cross-sectional studies infer causality from proportional distributions, the data used here allow me to see whether change in a given independent variable is statistically correlated with change in a given dependent variable. By showing that change in one variable is associated with a parallel and proportionate change in another variable, I am able to provide more robust information about the causal link between both variables (Finkel 1995; Lieberson 1985; Stimson 1985).

This study focuses on the relationship between the changing number of interest group organizations in each city and change in municipal budgets. A variable measuring the relative structure of the urban economy is also included in these models (*number of factories* in each city). In addition, data are also included to control for factors such as the preexisting debt of each city (*fiscal strain*), the region in which the city resides, and the extent to which political party competition might be related to budgetary decisions over the subsequent period of time.

Nonetheless, all of this raises the question of what exactly is the proper measure of municipal spending: Because municipal spending is constrained by revenue income, absolute measures of spending growth might not be appropriate here. On the other hand, measuring the percentage of total spending dedicated to any specific area would reflect decisions about both areaspecific and overall spending. Combining specific and overall spending into a single growth score would obscure rather than clarify the issue, particularly given the huge swings in municipal spending that were typical of this age. Thus, for example, the city of Scranton, Pennsylvania, actually increased spending on public education from 1880 to 1890, though it decreased dramatically as a portion of the total city budget. Instead, I use for my measure of municipal spending between 1880 and 1890 (i.e., growth = $y_t - y_{t-1}$ relative to y_{t-1}).⁵

Growth models imply that changes in city spending reflect more than the changing availability of revenue income. By my theory, if municipal spending on, say, education changes substantially over a 10-year period, and if I can show that that change is statistically associated with a proportionate change in interest group representation, then at least some of the change in spending should reflect a change in interest group pressure on the city government.

A second question, however, is whether individual spending figures should be used as is or in logarithmic form, which is common practice when dealing with income-related measures in which there is a fair degree of positive skew across cases. Fortunately, this problem is constrained by the fact that all of the cities examined here are of relatively similar size, similar enough, at least, that any functional transformation of the spending variables did not appear necessary (results available upon request).

A related question involves the proper functional form of a regression model of municipal spending itself. Though I save the details of this issue for later, two considerations deserve mention here: First, scholars of urban finance have yet to agree on any wholly satisfactory model of municipal spending. Much of the literature on municipal spending concerns itself with "optimal expenditure models," or normative accounts of the way municipal budgeting should work (e.g., Greenwood 1983; North 1985; Olsen 1970; Tiebout 1956). A second major school of thought focuses on the internal determinants of spending. It is largely dedicated to the construction of mathematical models that explain the rate of increase in spending based on prior spending levels (e.g., Danziger 1976; Huckins and Tolley 1981). Neither of these approaches is useful for my purposes. And although a third major body of scholarship focuses on the role of "external determinants" in the budgetary process, as I do here, there is little if any consensus on the proper factors to be considered, nor on the proper way to go about analyzing them. The "externalist" literature is simply too large to be summarized in any clear manner.

Among the more prominent studies in this tradition, Peterson (1981) downplays the role of organized constituencies and internal political struggles and focuses on the baseline socioeconomic structure of communities in explaining their municipal spending habits. Clark and Ferguson (1983) offer a similar model, with adjustments for the political party and sociodemographic structure of cities. In earlier work, however, Clark (1968, 1973, 1976) focuses more specifically on the interaction between community structure, government structure, and urban fiscal policy. Brown and Halaby (1984), Hammack (1982), Lowi (1964), and McDonald (1985) offer similar

perspectives on the urban fiscal process. Dahl (1961), Polsby (1980), and Stone (1980) focus directly on interplay between citizens and organized interest groups in the making of urban fiscal policy. Muller (1975); Friedland, Piven, and Alford (1977); and Sassen (2000), on the other hand, focus on the relationship between capital flows and urban spending. What is clear from all this is that there is no one standard explanation of city spending, even among those who believe that "external determinants" play a role in the policymaking process. Comments one scholar (Hoggart 1989, 17), "Indeed, it would not be unreasonable to argue that external determinants models come in so many guises that they are only superficially part of the same school of thought."

This ambiguity, coupled with the gaps in available data regarding latenineteenth-century cities, makes my job both simpler and more complex. Faced with theoretical uncertainty and a paucity of data, I have little choice but to do the best with the information available. At the same time, however, this study does not claim to explain municipal spending but only to assess the role of certain types of special interest group organization on municipal spending patterns. From the data at hand, I have attempted to include a range of variables that represent seemingly relevant factors such as the size of the immigrant population therein, the overall level of industrialization, and the political climate. These variables (described in detail shortly) are included to provide a relatively robust background in which to assess the impact of two kinds of special interest group organization on municipal social spending, not model spending levels outright. I ask readers to bear both my aims and constraints in mind in evaluating the results presented here.

Before proceeding to a more detailed discussion of data, methods, and results, it is also necessary to be specific about several additional strengths and weaknesses of this study, what can and cannot be concluded from the results. First, it needs to be recognized that actual instances of rent-seeking are exceedingly difficult to document. Votes can be counted and public debates read, but much of what goes on in legislative bargaining remains hidden from view. Nor do I know the number of members in each interest group organization counted here, nor what tactics they used in forwarding their fiscal interest (if, in fact, any such moves were made). In turn, the evidence given here supports only very tentative claims about the causal link between special interest group organizations and municipal spending policies. Rent-seeking theory is built on such claims and does little to document them empirically, but that should not be an excuse for assuming things that really are not known with any certainty. The results provided here offer robust evidence that there is a *correlation* between the presence of certain interest

groups and certain municipal outcomes; I cannot be absolutely certain that there was in fact a *causal* link between them. There is a clear need for further studies that will bring qualitative evidence to bear on these issues.

Furthermore, there are several methodological limitations inherent in this study that must be acknowledged before touting its results. First, the time and effort required to collect information about 53 cities at two points in time put some limitations on the granularity of the data at hand. Though city directory and U.S. Census listings enabled me to collect fairly comprehensive information on growth in the number of special interest group organizations and factories in each city over time, I was unable to collect more fine-grained information, such as the exact industries or firms represented therein. One consequence of this is that my sense of associational growth is rather general; it is impossible to tell from this data whether such growth is occurring in one specific subsector of the polity or across several related sectors simultaneously. Similarly, the nature of this data provides only the most indirect information about interorganizational networks in cities, though they clearly play an important role in municipal politics (e.g., Galaskiewicz 1979; Laumann, Marsden, and Galaskiewicz 1977). Last, the data paper over potential conflicts within each set of lobby groups over desirable fiscal policy outcomes. Intrasectional conflict might thus mask the effect of active rentseeking on the part of one or more lobby groups within each sector. This makes it impossible to differentiate between failed rent-seeking effort and the absence of such efforts. Evidence of successful rent-seeking, similarly, may falsely imply conformity of interest among the groups representing that sector. Such shortcomings are nearly unavoidable in a study of this nature. Nonetheless, it is important to identify them before interpreting the results.

One last shortcoming of this analysis, though one less amenable to further data collection, is the role of extralocal organizations and influences on municipal decision making. Paul Peterson (1981) has argued, convincingly so, that American city politics are influenced by a variety of extralocal factors at the state and national level. Skocpol, Ganz, and Munson (2000) document the spread of translocal voluntary organizations throughout the nineteenth century and argue that they had an extensive impact on state and local politics throughout the period. Other studies have pointed to the influence of cultural diffusion on municipalities (e.g., Knoke 1982; Pred 1980; Rice 1977). Unfortunately, the data at hand make it extremely difficult to account for, let alone test, the robustness of any of these factors with regard to municipal spending patterns in major American cities of this period.

DATA AND METHOD

The sample analyzed here includes all U.S. cities with an 1890 population greater than 50,000, with the exception of four cities for which adequate information was not available (bibliographical and statistical information for each variable is given in Table 2).⁶ The dependent variables were constructed using data from the U.S. Census *Report on Wealth, Debt, and Taxation* (U.S. Department of the Interior 1895b, Table 12). This source gives standardized information about municipal spending on education, infrastructure, street lighting, police and fire protection, and public poor relief. Each category of spending was defined and enumerated by the U.S. Census Bureau itself. One can thus assume that the data therein represent spending on comparable items across the entire population of cities examined.⁷ Although the data do not allow one to determine what exactly was purchased with that money, one can assume a fair degree of uniformity within categories across cities.

There are several challenges unique to causal analysis using longitudinal panel data. The first, and most obvious, issue is deriving a formal model suitable for assessing variance over space and time—in this case, 53 cities at two points in time. Finkel (1995) suggests the following model for two-wave panel data like these:

$$y_t = b_0 + b_1 x_t + b_2 y_{t-1} + b_3 x_{t-1} + e,$$

where y_{t-1} represents a lagged dependent variable and x_{t-1} represents a lagged independent variable. According to Finkel (1995, 15), coefficient b_1 thus represents the effect of x_t on y_t "controlling for x and y's prior values." Seen another way, the coefficient for the nonlagged (i.e., 1890) independent variable tells the effect of the change in the independent variable on the change in the dependent variable between 1880 and 1890. (This conclusion can be confirmed through simple algebraic manipulation of the above equation.) In this particular circumstance, the only questionable assumption of this model is whether there is reason to believe that the proposed effect of interest group organization levels on municipal spending levels occurs in a 10-year span of time. Unfortunately, there is no good a priori means of evaluating the proper time horizon of interest group impact. A single special interest group might organize and influence municipal spending policies within the single span of a year or two. On the other hand, the question at issue here is how a change in the overall number of related interest groups effects spending over time. Thus, it seems reasonable to assume that any major changes in the landscape of interest group activity in a given city might best be measured over a period

TABLE 2:	Descript	ive Statistics
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Southern cities dummy (1 – located in former
Confederate territory) 0 132 0 342 53
Fiscal strain, 1880 ^a (municipal expenditures/municipal
revenues fiscal year 1880 [balanced budget = 1:
deficit >1: surplus <11) $1.289 0.409 53$
Political party competition, 1890 ^e (electoral competition
between Republican and Democratic candidates in
Congressional races, $1890 [100 = two-party split;$
0 = single-party dominance 81.478 19.939 46
Number of professional organizations, 1890 ^f 7.075 6.173 53
Number of professional organizations, 1880 ^f 3.698 3.646 53
Number of industrial and mercantile organizations, 1890 ^f 7.811 9.255 53
Number of industrial and mercantile organizations, 1880 ^f 3.415 4.517 53

NOTE: Dependent variables appear in all caps. a. U.S. Department of the Interior (1895b). b. U.S. Department of the Interior (1884). c. U.S. Department of the Interior (1892). d. U.S. Department of the Interior (1895a). e. Clubb, Flanigan, and Zingale (1986). f. City directories for respective years.

of 10 years. Furthermore, one has to face the simple fact that the U.S. Census Bureau collected the municipal spending data used here at 10-year intervals. Without more waves of data for these same cities, there are few alternatives but to assume a 10-year time horizon.

As mentioned earlier, two specific types of associational growth are examined here, each representing a different sphere of the local economy: growth in the number of special interest groups representing professionals (i.e., doctors, lawyers, and such) and growth in the number of industrial and mercantile associations. More specifically, the industrial and mercantile organizations variable represents economically oriented lobby groups such as chambers of commerce, manufacturers associations, employers associations, and mercantile organizations (see, e.g., Chung 1997; Chung and Granovetter 1999; Elfenbein 1989; Galambos 1966; Hays 1974). Not included in this variable are labor organizations, banking institutions, or commercial organizations related directly to agriculture. The professional organizations variable, on the other hand, includes groups such as medical societies, dental societies, bar associations, teacher organizations, and so on (Abbott 1988; Larson 1977; Powell 1988; Starr 1982). Note that not all groups included in this variable were destined to become well-enfranchised national lobbies like the American Bar Association or American Medical Association. "Marginalized" professionals, such as doctors of homeopathy and electro-magnetic medicine, organized their own professional organizations during this period in competition with their larger, more "legitimate" rivals. I assume that these two categories of special interest group represent economic actors with related but not identical interests with respect to municipal social spending. Both represent property and business owners, but the manner in which they earn their living is very different. Professionals sell their expert knowledge to clients; merchants and industrialists sell goods to customers. The former requires only self-regulation and billable clients to stay in business; the latter requires investment capital and low-wage employees, as well as customers and a generally favorable business climate, to keep afloat. Thus, I anticipate noticeable differences in the types of municipal spending these groups might support. The question raised by the various theories of rent-seeking is how exactly these interests will coalesce, or collide, in the arena of fiscal policy in the early urban-industrial age.

Note too that there is no statistically significant correlation in the number of these two clusters of special interest groups organizations across the range of cities examined herein. This implies that the cities studied here followed different trajectories toward interest group representation. However, to differentiate the indirect effects of demographic growth, economic growth, and political-institutional structure on city spending from the direct effects of

interest group organization therein, a number of additional independent variables have been included in the analysis.

A first independent variable measures *population size in 1890*. Presumably, population size in 1880 is a major component underlying variance in the lagged dependent variable, *city spending in 1880*. Thus, population size in 1890 helps factor out the effect of city growth between 1880 and 1890. Inclusion of this variable also allows the use of raw numbers for other demographically sensitive variables, such as the number of foreign-born inhabitants in each city (discussed below) and the number of professional organizations and industrial/mercantile organizations therein. Including the 1890 population measure precludes calculation of per capita figures for any of these variables.

A third independent variable, *number of factories at 1890*, represents the number of manufacturing establishments as recorded in the U.S. Census reports on manufacturing industries (U.S. Department of the Interior 1895a, Table 3). Though this is only one of several possible ways to measure industrial capacity in late-nineteenth-century cities—growth in jobs in the manufacturing sector and growth in industrial output are two other possibilities afforded by the census—comparative analyses (not shown here) show little difference in the measured correlation with municipal spending. Coupled with the industrial/mercantile organizations variable, this measure of the number of factories in each city allows me to distinguish between the effects of industrialization and the effects of voluntary organization within the business sector more generally.

A fourth independent variable, *number of foreign-born residents in 1890*, measures the number of city residents born outside of the United States (U.S. Department of the Interior 1887, 1892). This variable was included to operationalize the probable effect of mass immigration on urban development during this period. On one hand, historians of the period have argued that native-born elites supported increased spending on social services (especially education) for immigrants in hopes of socializing them into the "American mold," as well as quelling the potential for political unrest in American cities (e.g., Boyer 1978; Katz 1995; Lazerson 1971). On the other hand, nativist hostility to immigrant newcomers might well have limited the extent to which native-born residents would have agreed to spend their tax dollars on social services for immigrants (Higham 1955). Either way, this variable provides an important input regarding the sociodemographic makeup of the cities included in the sample.⁸

A fifth variable I have included is a basic measure of city finances at the base year—*fiscal strain*, 1880. This variable reflects the balance of incoming revenue and outgoing expenditures, including debt payments. Presumably,

the solvency of each city at the base year should have some impact on spending growth over the subsequent decade (e.g., Clark and Ferguson 1983). During the period in question, cities in former Confederate states were also likely to have different municipal spending policies. Though Reconstruction officially ended before the period in question, Southern cities generally remained in dire straights throughout the 1880s, owing to a combination of Northern financial control, Southern obstinacy regarding political reform, and the general woes of an agrarian economy still recovering from the devastation of war. A dummy variable indicating *cities of the former Confederacy* is thus included in these models of municipal spending growth.

One last factor that would seem to be relevant to municipal spending is the role of party competition and party patronage. Though the literature offers contradictory observations about the impact of so-called party machines on municipal spending policies (e.g., Brown and Halaby 1987; Menes 1995; Steffens 1904; Yearley 1970), there is good reason to believe that stiff competition between rival political parties might lead politicians from both sides to endorse spending growth as a way of offering perks to would-be voters (Chambers and Davis 1978; Hofstetter 1973). Though this relationship is far from certain, I have elected to include a measure of party competition in the congressional elections for 1890 (Clubb, Flanigan, and Zingale 1986). Data from this variable reflect election results at the county, not the city, level, however, and I have thus omitted all cases in which the city population did not account for at least 50% of its respective county population. To minimize the possible sample bias created by this omission, I have given results for regression models including this variable separate from those in which the full population of cities are analyzed. I also replicated the analysis omitting both the political competition variable and the cities for which data on this variable were incomplete to confirm the robustness of the results (available upon request).

Note that other endogenous and exogenous factors may be related to municipal spending growth during this period, though I have opted here to omit them from these models. The potential impact of civil service reform on municipal spending growth is one area touched upon by some scholars of the period (e.g., Erie 1992; Rauch 1995). Rauch (1995) has argued, for example, that municipalities with reformed civil service regulations tended to spend a greater percentage of their budgets in areas that took a long time to show tangible benefits, such as infrastructure projects, as opposed to more immediately tangible spending programs like poor relief or police enforcement. According to this line of reasoning, civil service reform afforded bureaucrats the luxury of considering long-term benefits, as opposed to short-term quick fixes, in calculating what was best for their constituents. Nonetheless, despite

the passage of national civil service reform in 1883, even Rauch (1995, 971) admits that similar reforms were not generally enacted in American cities until the 1890s and beyond. Thus, there is little reason to believe that civil service reform would have had sufficient time to take hold in cities during the period in question.

Similarly, a variable indicating *city age*, or the number of years since each city was officially incorporated as a municipality (U.S. Department of the Interior 1887), was added to several of the reported models but also failed to produce statistically significant results. It too was omitted from the results reported here. Last, I was unable to locate data that would allow me to account for the *spatial growth of cities* (i.e., their actual expansion in terms of square acreage). Spatial growth would likely imply sizeable increases in municipal spending, particularly on infrastructure.

All regression results were produced using ordinary least squares (OLS). All the variables representing municipal spending are measured in 1890 U.S. dollars (i.e., all 1880 spending figures were adjusted for inflation over the intervening period). Regression coefficients are given in unstandardized form, thus allowing one to interpret each coefficient as a reflection of the predicted change in spending associated with a one-unit change in the independent variable to which it refers.

Note that I choose here to use a simple model of change over time as opposed to a partial linear adjustment model of movement toward and away from some equilibrium state (as is common in analyses of organizational ecology). This decision is consistent with both the character of municipal spending in the late nineteenth century and the growth-centered theories about municipal spending discussed here. The average city budget for these 53 cities more than doubled between 1880 and 1890, evidence that municipal governments were clearly in a major growth phase at the time. Furthermore, the goal is not to model the relative growth rates of different types of interest group organization but to examine the relationship between the presence of those groups and changes in municipal social spending.

For each of the dependent variables, a base model was first examined to see if it passed basic tests for heteroskedasticity and multicollinearity. Smalln models such as these can also be extremely sensitive to outliers, and several tests of leverage were also performed to examine the overall fit and robustness of the findings. The extremely high R^2 values obtained for these models is largely due to the fact that each model includes an independent variable for spending in 1880. Because the dependent variables in each of these models are related to a certain extent (see note 2), I tried combining all six models into a single "seemingly unrelated regression" model (Zellner 1962). Though changes in each category of spending are correlated to change in the other categories, those correlations are not particularly strong.⁹ Furthermore, seemingly unrelated regression results did not differ substantially from the disaggregated results shown here. A statistically significant association between spending growth and interest group growth may still be the result of mere coincidence, but if one observes a similar such relationship across some 50-plus cases, then one may assume such a relationship exists with relative confidence.

RESULTS

The original issue motivating this study was the role of organized trade groups in municipal fiscal policy making. I first noted the multiple, and sometimes contradictory, accounts of rent-seeking in scholarly accounts of American municipal growth. I then discussed the potential role of professional and industrial/mercantile groups in municipal politics. Then, I proposed a verifiable means of examining the impact of each type of special interest group organization across a wide range of cities.

Tables 3 and 4 offer regression results for the education and infrastructure variables, including results for the base model, the base model with associational variables, and the base model and associational variables plus an additional political-institutional variable (*political party competition*, *1890*) for which data were unavailable for more than 10% of the cases included in the full city sample. Table 5 offers regression results for the base model plus associational variables for four additional dependent variables: street lighting, police, fire, and poor relief spending. Table 6 offers a quick summary of the results for the independent variables of primary interest—the number of professional organizations and industrial/mercantile organizations for the year 1890. (Please note the need to differentiate between the independent variables representing organizational strength in 1880, which are included to factor organizational growth into the model.)

In general, the regression coefficients can be interpreted to represent the additional number of dollars spent in 1890 (over and above 1880 spending) given a one-unit change in each independent variable. Thus, for example, the significant positive coefficient for the lagged dependent variable in Table 3, model 1 indicates that each additional dollar of education spending in 1880 is correlated with an additional 75.4 cents of education spending in 1890, ceteris paribus. Similarly, the significant positive coefficient for the lagged independent variable, number of professional organizations in 1880, in Table 3, model 2 indicates that the presence of each additional professional

(text continues on page 577)

TABLE 3: Regression Coefficients for Municipal Expen	diture on Education, 1890	0 (in inflation-adjusted U.S.	. dollars)
Independent Variable	Model I	Model 2	Model 3
Constant Lagged dependent variable: Expenditure on education, 1880 City size, 1890 Number of manufacturing establishments, 1890 Foreign-born, 1890 Southern cites dummy Fiscal strain, 1880 Number of professional organizations, 1890 Lagged independent variable: Number of professional organizations, 1880 Number of industrial/mercantile organizations, 1890 Lagged independent variable: Number of industrial/mercantile organizations, 1880	109,528,800 (1.346) 0.754 (6.102)* 0.949 (1.869) 9.115 (0.391) 0.579 (0.588) -29,906.710 (0.544)	119,280,600 (1.650) 0.427 (3.043)* 0.552 (1.176) 40.686 (1.873) 1.562 (1.804) 47,165.350 (0.784) -2,518.819 (0.686) -2,518.819 (0.686) 41,670.510 (3.620)* -6,473.403 (1.256) -2,689.408 (0.360)	65,185.330 (.389) 0.499 (3.173)* 0.490 (1.681) 31.110 (1.289) 0.789 (0.784) -42,771.120 (0.389) -93,694.990 (1.673) 637.502 (0.363) -2,508.130 (0.380) 40,643.240 (3.219)* -7,336.383 (1.326) 230.944 (0.028)
R^2 n	.967 53	.979 53	.980 46

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NOTE: Absolute value of all 7-scores are given in parentheses. *Statistically significant at p < .05.

Independent Variable	Model 4	Model 5	Model 6
Constant Lagged dependent variable: Expenditure on infrastructure, 1880 City size, 1890 Number of manufacturing establishments, 1890 Foreign-born, 1890 Southern cities dummy Fiscal strain, 1880 Political party competition, 1880 Number of professional organizations, 1890 Lagged independent variable: Number of professional organizations, 1880 Number of industrial/mercantile organizations, 1890 Lagged independent variable: Number of industrial/mercantile organizations, 1880	77,052.250 (0.728) 0.332 (2.801)* 1.160 (1.832) -69.844 (2.720)* 4.804 (4.031)* 10,427.060 (0.123) -95,688.060 (1.334)	-54,988.150 (0.683) 0.035 (0.278) 0.306 (0.605) -49.725 (2.511)* -55,857.240 (0.814) -13,140.500 (0.239) -18,985.710 (2.756)* 23,590.550 (1.752) 21,737.340 (3.710)* 31,916.230 (3.825)*	154,762,700 (0.878) 0.065 (0.474) 0.0678 (1.249) -64,973 (3.106)* 3.914 (3.986)* 3.914 (3.986)* -224,338.600 (1.930) 3.804,010 (0.064) -21750.592 (1.491) -18,993.330 (2.730)* 20,883.180 (1.449) 22,907.210 (3.828)* 37,695.020 (4.260)*
R^2 n	.938 52	.971 52	.976 45
NOTE: Absolute value of all <i>T</i> -scores are given in parentheses. *Statistically significant at $p < .05$.			

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TABLE 4:	

	Model 7:	Model 8:	Model 9:	Model 10:
	Street Lighting	Police	Fire Protection	Poor Relief
Constant	45,403.370 (1.791)	46,348.470 (1.474)	31,528.970 (0.946)	-11,817.210 (0.231)
Lagged dependent variable	0.994(5.269)*	1.303(23.192)*	0.751(4.187)*	0.856 (9.555)*
City size, 1890	0.011 (0.075)	-0.609(3.038)*	-0.730(3.381)*	-0.528 (1.398)
Number of manufacturing establishments, 1890	1.254(0.260)	13.139 (1.428)	16.220 (1.743)	52.540 (3.544)*
Foreign-born, 1890	0.276(1.128)	3.940(11.130)*	1.675 (3.672)*	0.616(0.919)
Southern cities dummy	-3,041.889 (0.146)	64,051.180 (2.350)*	9,505.365 (0.325)	89,798.240 (2.057)*
Fiscal strain, 1880	-27,252.260 (1.614)	-22,901.460(1.077)	-17,611.100(0.773)	-33,477.250 (0.987)
Number of professional organizations, 1890	1,218.369(0.602)	$-2,429.430\ (0.899)$	-5,453.286(1.946)	1,477.723(0.361)
Lagged independent variable: Number of				
professional organizations, 1880	5,665.903 (1.581)	-1,449.091 (0.336)	10,219.890 (2.014)*	22,532.560 (3.561)*
Number of industrial/mercantile				
organizations, 1890	3,532.093 (2.069)*	51.847 (0.020)	$13,956.960 (5.996)^*$	-2,231.491(0.625)
Lagged independent variable: Number of				
industrial/mercantile organizations, 1880	-9,213.796 (3.159)*	$15,651.310$ $(4.674)^{*}$	2,018.279 (0.583)	-7,510.00(1.391)
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R ⁻	.947	766.	.976	.976
u u	52	51	53	49

 TABLE 5:
 Regression Coefficients for Municipal Expenditure on Street Lighting, Police, Fire Protection, and Public Poor Relief,

 1890 (in inflation-adjusted U.S. dollars)

NOTE: Absolute value of all *T*-scores are given in parentheses. *Statistically significant at p < .05.

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	Education	Infrastructure	Lighting	Police	Fire	Poor
Professional organizations, 1890	n.s.	-18,985.71 (2.756)	n.s.	n.s.	n.s.	n.s.
Mercantile/industrial organizations, 1890	n.s.	21,737.34 (3.710)	3,532.09 (2.069)	n.s.	13,956.96 (5.996)	n.s.

TABLE 6: Summary of Results

NOTE: Absolute value of all T-scores are given in parentheses.

organization in 1880 is correlated with an additional \$41,670 dollars of education spending in 1890, ceteris paribus. This would seem to indicate that cities with a large number of professional organizations (relative to population size) tend to spend more on education than cities with fewer such organizations. On the other hand, the variable representing the growth in the number of professional organizations between 1880 and 1890 (*number of professional organizations*, 1890) does not appear to be significantly related to growth in spending on education. Thus, one might either conclude that the changing number of lobby groups representing professionals is less significant than their general presence as a whole, or one might come to the more conservative conclusion that there is insufficient evidence to support any causal arguments regarding professional organizations and education spending. I take the conservative approach in assuming the null hypothesis (no relationship).

Note, too, that the variable representing the number of industrial/mercantile interest group organizations does not provide statistically significant results for any of the models of education spending (Table 3, models 2 and 3). This means that there is little reason to believe that the growing number of either type of special interest group organization had a significant impact on education spending over this period of time.

Next, consider the comparable analysis of spending growth on infrastructure (see Table 4). First, note that a growing number of professional organizations is related to negative spending growth in infrastructure (Table 4: models 5 and 6). Second, note that the growth in the number of industrial/mercantile interest group organizations is positively related to infrastructure spending growth. Thus, I find preliminary evidence that the emerging presence of professional organizations and industrial/mercantile organizations have opposite effects on infrastructure spending growth. At the very least, this is strong evidence that both variables have some causal connection to municipal spending on infrastructure. It might also mean that there is reason to support the intersectoral competition theory of rent-seeking outcomes.

Tables 5 and 6 summarize the results for the remaining dependent variables. As seen in Table 5, a growing number of industrial/mercantile organizations is positively correlated with increased spending on street lighting (model 7) and fire protection (model 9). Growth in professional organizations is not significantly correlated with spending growth in any of these areas (models 7 through 9—see Table 6 for a summary of results).¹⁰

Looking at these findings as a whole, I find valuable evidence with which to evaluate the tenability of the different rent-seeking theories discussed earlier (see Table 1 for a summary of predicted relationships). For example, I find no support for the theory of fiscal conservatism, which predicts that spending growth should diminish as the taxable assets of the city's population grow, particularly at the behest of special interest group organizations such as those representing professionals and industrial/mercantile concerns. Although there is a negative relationship between the growing number of professional organizations and growth in infrastructure spending, I do not find a similar negative relationship for any of the other spending areas. Furthermore, I find that the growing number of industrial/mercantile organizations is actually positively related to infrastructure spending.

The theory of professional protectionism, which predicted that professional groups would lobby against public poor relief to protect their market position and autonomy as self-regulating trade groups, can also be discounted. The welfare capitalism theory, on the other hand, predicts that the representatives of professional organizations and/or industrial/mercantile organizations would lobby for increased spending on education, poor relief, and police enforcement and possibly for infrastructure and street lighting. I do not find that a change in the number of professional organizations is correlated with a proportional change in any of these areas of spending. Of these four categories of spending, furthermore, the number of industrial/mercantile organizations was significantly correlated with only spending growth on infrastructure. Thus, I tentatively conclude that this theory is not well supported by the data at hand.

Recall, too, that the theory of urban boosterism predicted that both professional and industrial/mercantile organizations would actively lobby for social spending that would help improve the overall business climate in their respective cities. I do find that a growing number of industrial/mercantile organizations is significantly related to growth in spending on infrastructure, fire protection, and street lighting. The negative relationship between professional organizations and infrastructure spending would appear to mitigate the salience of urban boosterism, however. At the very least, a more detailed theory is needed to explain why industrial/mercantile groups would lobby for increased spending in some areas and not others. What is known with some certainty is that a growing number of professional organizations is negatively related to infrastructure spending growth. It is also known that the presence of industrial/mercantile groups was positively related to spending growth in infrastructure, street lighting, and fire protection. Of all the rent-seeking theories discussed herein, my findings thus seem most consistent with the theory of intersectoral competition. This theory predicts that interest group organizations will support social spending in areas that will benefit them directly and that they will also oppose spending in areas that will not benefit them in kind. This perspective does not assume that municipal spending is a zero-sum game; it simply states that political actors will attempt to gain the most benefits at the least cost while simultaneously lobbying against any policy that will benefit others at some cost to themselves.

More plainly put, the theory of intersectoral competition predicts that evidence should be found of interest group pressure both for and against specific government programs. Although I do not have the means to actually document such efforts, I have devised a means of testing this relationship indirectly-that is, by examining the correlation between changes in the number of interest groups representing a particular sector of the economy with concurrent changes in municipal spending in areas that will have an impact on those sectors of the economy. In turn, I do find evidence of both "positive" and "negative" rent-seeking here. On one hand, I find a positive relationship between industrial/mercantile organizations and spending growth on infrastructure, fire protection, and street lighting. This makes sense in light of general rent-seeking theory: Increased spending on infrastructure, fire protection, and street lighting benefits manufacturers, brokers, and retailers by improving transportation facilities around the city as well as bolstering and safeguarding the value of their holdings. On the other hand, I find evidence of "negative" rent-seeking, or opposition to nonbeneficial social spending, in the negative relationship between the growing number of professional organizations and municipal spending on infrastructure. Presumably, professional organizations lobbied against increased infrastructure spending because it would raise their taxes without benefiting them directly. According to the theory of intersectoral competition, it is in any such group's best interest to lobby against spending that would benefit others at their own expense.¹¹ Of course, this may not have been their reason for opposing such spending; they not have actively opposed it at all. Based on the evidence at hand, I can nonetheless say that I find a robust negative correlation between the proliferation of professional organizations and municipal spending on infrastructure, ceteris paribus. As with most arguments based on the logic of rent-seeking, this leads me to presume a real interest underlying this correlation, though further data would be needed to identify exactly how professionals at this time defined and acted on it. Unlike the other theories of rent-seeking detailed here, however, the theory of intersectoral competition is the only one of the five that does not predict a unity of interests across the realm of interest groups examined here. My findings thus tentatively support the intersectoral theory of interest group competition both in substance and form.

CONCLUSION

In reading the literature on American political development between the Civil and First World Wars, one comes across a variety of contrasting claims about the role of special interest group organizations. As seen from some perspectives, special interest group organizations serve as vehicles for the common class interests of urban elites (e.g., Beckert 2001; Boorstin 1965; Teaford 1984). Other perspectives focus on the specific interests of groups engaged in different sectors of the economy (e.g., Clemens 1997; Galambos 1966; Kolko 1963; Schiesl 1977; Starr 1982). The results of this study support the notion that special interest groups not only advocate for policies that will provide them "positive" rents but also lobby against policies that will provide others comparable benefits. This stands in contrast to those rentseeking theories that suggest a commonality of interests across sectors, such as urban boosterism, welfare capitalism, and fiscal conservatism. Although there is no special reason to believe that these results are generalizable to other times and places, they do contribute to existing knowledge of special interest group activity by providing an empirical basis for comparison of several different theories of rent-seeking.

Special interest group lobbying, or "corporate welfare," is often portrayed as a uniquely contemporary phenomenon (e.g., Birnbaum 1992; Henriques 1986; Leonard 1986; West and Loomis 1999), but the data at hand show that this was as true of the late-nineteenth-century United States as it is today. Though these findings should not be taken to support any general theory of interest group formation, they do demonstrate that this type of political action existed in the United States as early as the post–Civil War period.

More generally, these results tentatively support the following conclusion: Given conditions of intersectoral competition, economic actors in the early urban-industrial age may have had some measurable success using special interest group organizations to lobby for fiscal policies that would provide them the most benefits at the least cost. The creation of the special interest group lobby might thus be seen as a timely innovation in the pursuit of such ends. Future studies should focus on specific sectors and interest groups to better flesh out understanding of how and why this actually occurred. (Some good examples of literature that attempts to do this include Chung and Granovetter 1999; Galambos 1966; Powell 1988; Starr 1982.)

Though these conclusions may seem fairly obvious to those familiar with pluralist political theory, contemporary social theorists sometimes fail to account for such competition in their theories of political action. Communitarians, for example, assume a harmony of interests in the public sphere (see, e.g., Joyce and Schambra 1996; Olasky 1992; Putnam 2000). Similarly, public choice economists tend to assume little friction, or competition, in the pursuit of fiscal policies that will benefit specific sectors and firms at the expense of others (see, e.g., Buchanan and Tullock 1962; Buchanan, Tollison, and Tullock 1980; DeBruin 1991; Dunleavy 1991). Special interest groups do not operate in vacuums, free of competition; nor do they only lobby for "positive" benefits. Depriving others of such benefits is a viable economic strategy in its own right.

Seen in the light of intersectoral competition, as described here, the claims of economic historians thus dovetail nicely with those of economic sociologists: Increased competition in the American economy (as documented by economic historians) helped push economic actors to new forms of competitive behavior (as documented by economic sociologists).

Nonetheless, the results presented here provide only indirect support for the aforementioned conclusions. Without detailed information about the size, mobilization efforts, and tactics of the interest group organizations studied here, I cannot know if my results represent the product of interest group lobbying or simply the increased presence of such groups. This is normally the province of historians and social movements researchers; I hope they will take up the challenge to study not just single movements but entire urban networks of interest group organizations.

Though tentative at best, these findings do point to several promising new avenues of research in political and economic sociology: (1) further exploration of the political dimensions of economic competition, particularly as they emerge and develop over time; (2) the role of ecological constraints (i.e. competition) on such developments; and (3) the ramifications of economic transformation on political action more generally, and vice versa. The data used herein would provide an excellent starting place for such studies, as would more qualitative data on the interrelationship of fiscal policy, economic structure, and special interest group representation over space and time.

NOTES

1. The concept of rent-seeking originally evolved through the economic study of international trade relations. Though precedents clearly exist, economist Anne O. Krueger is generally credited with coining the term in a 1974 *American Economic Review* article on the domestic ramifications of restrictions on foreign trade. Krueger's thesis was that government restrictions on trade benefit some sectors and firms over others and that those restrictions should thus be considered discretionary income gained over and above the opportunity cost of the goods and services those firms actually provide to the marketplace. Given that government institutions collect revenues from one set of parties and then redistribute those revenues to other parties in the form of goods and services, fiscal policy becomes a key arbiter in the distribution of "rents."

2. For the sake of clarity, I wish to reiterate that these specific categories of spending were constructed and recorded by the census, not by me. Thus, the decision to separate spending on street lighting from spending on other aspects of urban infrastructure was made by the census, not by me. Because I do not have access to the criteria by which these areas were identified, let alone the instructions sent to municipal comptrollers providing this information, I have not attempted to manipulate or transform the data in anyway except to convert 1880 budget figures into 1890 dollars. Although there is some cause for concern regarding the consistency of these figures across cities, this is the best information available on what is otherwise a fascinating period of American municipal growth.

3. Although I would have liked to contrast the influence of both groups with those representing common laborers, the vast instability of the American labor movement throughout the 1880s makes estimation of union density over this 10-year span virtually impossible (Kaufman 2001; Voss 1993). Coding of groups into these categories was done by the author. Although there may be cause to question the coding of one group or another into these categories, the overall coding scheme is at least consistent with itself.

4. Although this perspective ignores the fact that many private social service agencies in this era were funded from the public coffers (Salamon 1987), the idea of professional protectionism prevails in the literature nonetheless.

5. I model growth by including both y_i and y_{i-1} in the models, as opposed to dividing them to create a single change score. See the Data and Method section for explanation.

6. Denver, Colorado; Lincoln, Nebraska; Washington, D.C.; Camden, New Jersey.

7. As far as I can determine, the same census accounting scheme was used for both waves of data.

8. The data at hand do not, unfortunately, show what percentage of those immigrants were registered or even eligible to vote.

9. Correlation coefficients for change in each dependent variable, 1880-1890:

	Education	Infrastructure	Lighting	Police	Fire	Poor Relief
Education	1.000					
Infrastructure	.5685*	1.000				
Street lighting	.5621*	.3669*	1.000			
Police	.6468*	.5780*	.7271*	1.000		
Fire	.8027*	.4699*	.7185*	.7223*	1.000	
Poor relief	.4021**	0663	.1555	.2762	.4979*	* 1.000

*p < .05. **p < .01.

10. Although the lagged independent variables are significantly related to some of these dependent variables, I am not principally interested in these results, given the logic of analysis discussed earlier.

11. Of course, infrastructural development might have benefited professionals individually, or as private citizens, but, arguably, they did not generally stand to benefit from such expenditures.

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