

BETTER ALONE? EVIDENCE ON THE COSTS OF INTERMUNICIPAL COOPERATION

While central governments encourage intermunicipal cooperation to achieve economies of scale, municipalities are often reluctant to integrate. This paper provides new evidence on the factors explaining municipalities' resistance by exploiting a 2010 reform in France that forced non-integrated municipalities to enter an intermunicipal community. Using a difference-in-differences strategy, I assess the causal impact of integration on resisting municipalities. Comparing the effects with what experienced municipalities that instead chose to integrate before the law, I can identify the local consequences explaining why resisting municipalities opposed integration in the first place. I first find that municipalities forced to integrate experienced a 12.5 percent increase in the number of building permits delivered per year. This impact is driven by high-demand urban municipalities, consistent with NIMBYism explaining their resistance to integration. Second, I find that rural municipalities ended up with fewer public service facilities within their territory. Additional results suggest that these costs are sufficiently high to offset the benefits of integration in terms of better access to public transport and higher fiscal revenues.

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Publications

Articles:

Pons, V., Tricaud, C. (2018). Expressive voting and its cost: Evidence from runoffs with two or three candidates. *Econometrica*, 86(5), 1621-1649.

Working papers:

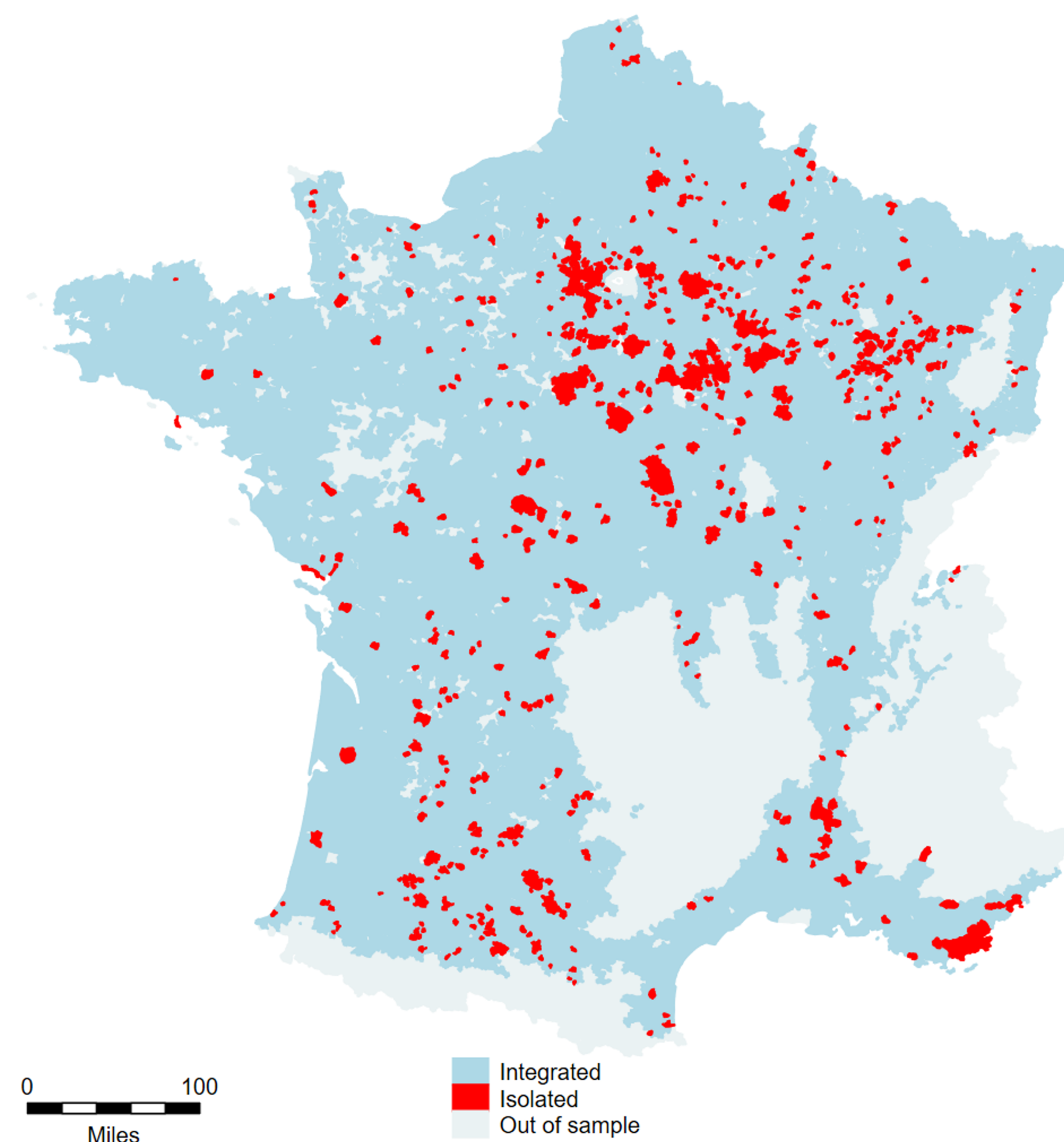
Tricaud, C. (2021). Better Alone? Evidence on the Costs of Intermunicipal Cooperation

Pons, V., Tricaud, C. (2020). The Large Effects of a Small Win: How Past Rankings Shape the Behavior of Voters and Candidates. *NBER Working paper* n°26599.

Institutional setting

Intermunicipal cooperation in France

France is divided into about 36,000 municipalities which makes it the most fragmented European country. In the 1970's, the French government tried but failed to merge municipalities. Instead, it promoted the creation of intermunicipal communities (IC), allowing neighboring municipalities to jointly finance and provide public services. Municipalities share two main policies, over which losing autonomy can be costly. First, ICs are in charge of urban planning and thus decide where and how much to build in each member municipality. Second, ICs decide over the location of public service facilities.



Main results – urban planning

Municipalities forced to enter an IC experienced an increase of 12.5% in the number of building permits delivered per year, on average. Supporting the fact that this is a cost of integration, I show that municipalities that instead voluntarily integrated did not experience a similar increase in their housing supply following integration. Hence, only municipalities that did not want to join an IC faced a large increase in construction. Moreover, the impact is driven by densely-built and high-demand municipalities, and is the strongest for urban municipalities located in the core of their urban area, the closest to the employment center (+38,3%). In contrast, the impact on housing is not stronger for municipalities whose neighbors are more different (in terms of income for instance), nor for municipalities where the share of homeowners is particularly large. Altogether, these results suggest that NIMBYism ("Not In My BackYard") accounts best for urban municipalities reluctance to integrate.

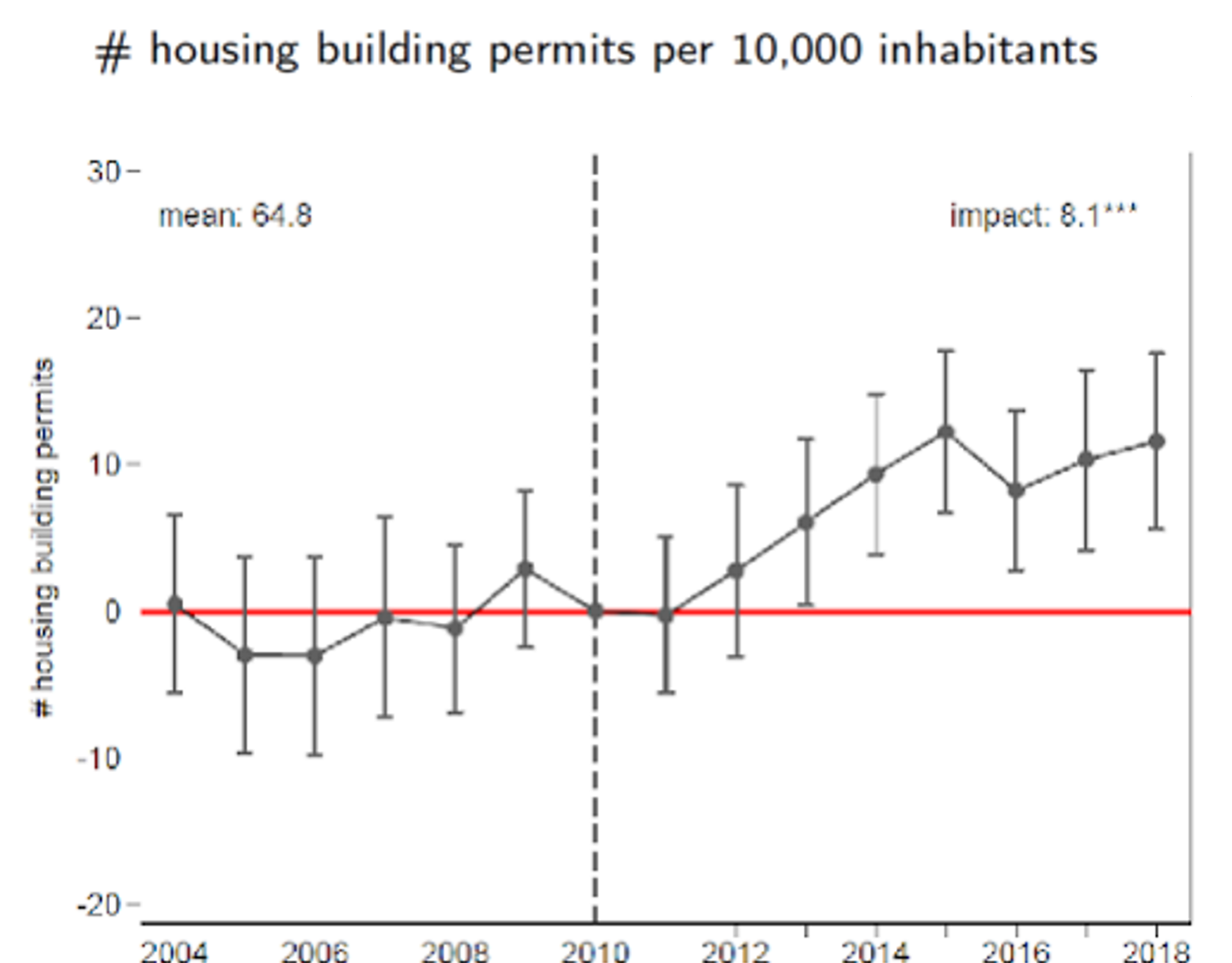
The 2010 law

In 2010, a new law passed requiring all municipalities to be part of an intermunicipal community. It forced the 5% isolated municipalities (~1,800) to enter an IC. The map below shows the geographic distribution of municipalities: the ones in red are the municipalities forced to enter an IC in 2010, municipalities in blue were instead already part of an IC in 2010, and the gray areas are municipalities excluded from my sample (law exceptions in particular).

Empirical strategy

Difference-in-Differences

I compare before and after 2010, municipalities forced to integrate (treatment group) to municipalities already part of an IC before the law (control group). Under the common trend assumption, any changes in trajectory between these two groups after 2010 can be interpreted as the causal impact of forced integration on treated municipalities. The absence of pre-trends in the graphical evidence provides support for the identification strategy.



Conclusion

This paper provides evidence that opposition to integration is driven by actual consequences of integration, beyond political or ideological considerations. Given that most forms of integration imply sharing urban planning policies and public services, these findings could help policymakers implement consolidation policies more effectively. This paper also stresses the consequences of changing the scale of the decision making. In particular, I show that transferring housing and zoning policies to a higher level helps overcome housing regulations.