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The Tiebout hypothesis in the United States: An analysis of black consumer-voters, 1970-75

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I.

Several years ago, Charles Tiebout (1956: 148) argued that:

...the consumer-voter may be viewed as picking that community which best satisfies his preference pattern for public goods ... the consumer voter moves to that community whose local government best satisfies his set of preferences.

On the basis of this argument, numerous empirical studies of the United States have provided support for the hypothesis stated above (known as the 'Tiebout hypothesis'). To date, however, none of the published research on the Tiebout hypothesis has dealt with consumer-voter behavior using the most recent appropriate data available. The time period to be examined is 1970-75; the subjects are black consumer-voters in the United States, the same population group stressed in most of the existing literature.

II.

The initial models to be examined here are given below:

$$MBi = a_0 + a_1MEDYi + a_2AFDCi + \mu_1 \quad (1)$$

$$MBi = b_0 + b_1MEDYi + b_2AFDCi + b_3WESDUMi + \mu_2 \quad (2)$$

where

MBi	=black net in-migration rate to state i , 1970-75
$MEDYi$	=median income in state i , 1969
$AFDCi$	=average $AFDC$ payments in state i , 1972
$WESDUMi$	=dummy variable to indicate western states; the variable assumes a value of '1' for a western state, and a value of '0' otherwise
a_0, b_0	=constants
μ_1, μ_2	=errors

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The data sources were *The Statistical Abstract of the United States, 1977*, *The County and City Data Book, 1972*, and *The County and City Data Book, 1977*.

The models in equations (1) and (2) both include median income, the standard measure of income opportunities for migrants. Both equations also include welfare (*AFDC*) levels, the variable found in the existing literature to so profoundly influence black consumer-voters before 1970. As per the hypotheses in and findings of the existing literature prior to the 1970s, we would expect that

$$a_2, b_2 > 0 \quad (3)$$

Finally, the second model includes an additional variable, *WESDUMi*. This variable, as in Cebula (1976), is used as a measure of the overall quality of life, which in the United States is perceived to be greatest in the western states.

The ordinary least squares (OLS) estimates of equations (1) and (2) are provided in (4) and (5), respectively:

$$MBi = -7.74432 + 0.00261MEDYi - 0.04248AFDCi, \\ \begin{array}{ccc} (+2.00) & & (-1.38) \\ & & DF = 38, R^2 = .09, F = 2.08 \end{array} \quad (4)$$

$$MBi = -4.68890 + .00133MDEYi - 0.02134AFDCi \\ \begin{array}{ccc} (+1.12) & & (-0.78) \\ + 10.4173WESDUMi & & DF = 37, R^2 = .34, F = 6.32 \\ (+3.67) & & \end{array} \quad (5)$$

Where terms in parentheses are t-values.

The signs on the coefficients in (4) and (5) are compatible with those obtained in earlier studies. However, of the five coefficients estimated, only two (a_1 and b_3) are statistically significant at the .05 level or better. In terms of the Tiebout hypothesis, both models indicate that black consumer-voters are not significantly influenced by geographic welfare (*AFDC*) differentials. Hence, for the period 1970-75, the Tiebout hypothesis, in terms of black consumer-voters, was apparently inoperative.

III.

The models presented in Section II above can be expanded to include additional relevant variables. One such expansion is given by:

$$MBi = c. + c, MEDYi + c; AFDCi + c, WESDUMi +$$

where

$$\begin{aligned}
 MB_i, MED Y_i, AFDC_i, WESDU M_i &= \text{as above} \\
 UNEMPL_i &= \text{1970 black unemployment} \\
 &\quad \text{rate in state } i \\
 &= \text{constant} \\
 &= \text{error term}
 \end{aligned}$$

The *OLS* estimation of regression (6) is given by:

$$\begin{aligned}
 BM_i = & -19.6746 + 0.00118MED Y_i + 0.171 AFDC + \\
 & \quad (+0.20) \quad \quad \quad +0.51) \\
 & + 13.6577 WESDU M_i + 0.65171 UNEMPL_i, \\
 & \quad (+0.98) \quad \quad \quad (+0.43)
 \end{aligned}
 \quad DF = 34, R^2 = .09, F = 0.88 \quad (7)$$

where terms in parentheses are t-values. Once again, the Tiebout hypothesis in the United States during the period 170-75 does not appear to apply for black consumer-voters. Moreover, in numerous alternative specifications, the same conclusion was reached. Hence, unlike the studies of black consumer-voters prior to 1970, the results obtained here seem to indicate a relative indifference to geographic differences public welfare policies. The results provided here, which are in such sharp contrast to earlier studies, may indicate that the argument for a standardized welfare system in the United States has thus lost some of its impetus.

APPENDIX

The western states are Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

See Cebula (1974a) and Cebula (1976b) for the most detailed discussion of the hypothesis involved.

A total of 31 other regressions on black consumer-voters were estimated. In all cases, the Tiebout hypothesis was only weakly supported.

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