

The Determinants and Implications of Local Minimum Wage Adoption

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Introduction

As of December 2018, over 40 localities in the United States have minimum wage laws that set a wage floor above the federal minimum wage (UC Berkeley Labor Center 2018).¹ The recent surge in local minimum wage laws not only runs counter to traditional theories of local policy, but also presents the potential for a new paradigm of public policy action and diffusion. Cities, often thought to be limited in their policymaking capabilities, may be at the vanguard of policy action, reimagining the policymaking relationship between local, state, and national governments. The surge in local minimum wages (between 2012 and 2017 the number of localities with a local minimum wage increased from 2 to 35) could signal a turn towards city-led public policy.

Several theories of local politics assume that structural constraints, both horizontally (competition from other cities) and vertically (limits from higher levels of government), restrict city policy action to a narrow set of options (Tiebout 1956; Peterson 1981). Other scholars note the particular impact local political forces have in determining municipal policy adoption (Dahl 1961; Stone 1989) and, more recently, researchers argue that cities are not only capable of being policy leaders (Schragger 2016) but should be at the forefront of progressive policy action (Katz and Nowak 2017).

In a period of federal retrenchment, local action on minimum wage laws raises important and timely questions of the actual limits, determinants, and effects of city policy. This paper, in studying municipal minimum wage adoption, is guided by two central questions:

- (1) How do internal and external factors influence local policy adoption?
- (2) Based on the factors that shape local policy action, what are the implications for policymaking at the local, state, and federal levels?

¹ Twenty-nine states and the District of Columbia currently have minimum wages higher than the federal rate (National Conference of State Legislatures 2018). In the 2018 midterm elections, voters in two states, Missouri and Arkansas, elected to raise their statewide minimum wages (Campbell 2018).

Using a dataset combining economic, social, and political variables, this paper will attempt to disaggregate the effects of several factors in the adoption of local minimum wage laws using a linear probability regression with the presence of a local minimum wage law as the dependent variable. What this paper is not, importantly, is a discussion on the merits of a local minimum wage law.² The results and discussion should not be interpreted as advocating for or against local minimum wage laws, but only as an exploration of the determinants and implications of local policy action.

In the first section of the paper, I will provide a brief history of minimum wage laws in the United States to show why local action on minimum wages is a relevant and useful policy area to answer the questions listed above. This will be followed by a discussion of several theories of local political action. While this section is not representative of the full array of literature on the topic, I believe it highlights the tension between theories that attribute local policy action to external, structural factors as opposed to internal, political factors. The third section presents a review of several determinants of local policy adoption and my expectations for how they shape the likelihood of a city passing a minimum wage law. The data and method of analysis will be presented in the fourth section followed by a discussion of the results. A concluding section will consider the results and how they impact policymaking at the local, state, and national levels.

A (Brief) History of Minimum Wage Laws in the United States

In June 1938, President Franklin Delano Roosevelt signed the Fair Labor Standards Act (FLSA) and set a national minimum wage of \$0.25 cents per hour. The FLSA marked the first national law mandating a minimum wage, but the push for higher wages started at the state level twenty-five years earlier. State advocacy groups, especially women-led organizations, lobbied state

² Neumark and Wascher (2008) provide an excellent summary of the economic research on minimum wages, especially at the state and national level. More recently, scholars such as Dube, Lester, and Reich (2010), Schmitt (2013), Lester (2016), Reich et al. (2016), and Jardim et al. (2018) find negligible or positive impacts of municipal minimum wages.

officials to set state minimum wages (Neumark and Wascher 2008). Massachusetts was the first state to pass a state minimum wage in 1912; twenty-four states and the District of Columbia also mandated minimum wages through 1936 (Neumark and Wascher 2008, 13). However, court rulings eliminated or weakened the state laws by the end of the 1920s (Thies 1991).

The Great Depression led to a renewed political interest in wage minimums at the federal level in partnership with the other New Deal policies passed by President Roosevelt. The FLSA, as stated above, set the minimum wage rate at \$0.25 per hour, and required it be raised to at least \$0.40 per hour by 1945 (Neumark and Wascher 2008). Importantly, however, the FLSA did not require any additional wage increases after 1945.³ Absent mandated increases or an indexing to inflation, national lawmakers increased the federal minimum wage sporadically, and often only after the existing wage rate had fallen significantly in value (see Figure A1 in the Appendix). The federal minimum wage was last increased to \$7.25 per hour in 2009 (U.S. Department of Labor).

Today, as the federal minimum wage declines in value and national lawmakers appear unable, or unwilling, to act, states are passing their own minimum wage laws (National Conference of State Legislatures 2018). Historically, as discussed earlier, state action regarding minimum wage rates is not uncommon. State minimum wage laws spurred national action to increase the minimum wage across the country, demonstrating a pattern of state policy intervention that is present in other policy domains in the absence of federal action (Rabe 2004). This time around, however, municipal governments have joined the states in raising their minimum wage rates.

Local minimum wage rates are a fairly new phenomenon and represent municipal intervention in a policy domain traditionally believed to be the responsibility of higher levels of government. As will be discussed in the next section, it is frequently accepted that cities cannot and

³ The FLSA also covered only a limited percentage of the American workforce, approximately 20 percent, according to Grossman (1978). Subsequent updates to the federal minimum wage also expanded coverage to more workers.

should not pass policies which excessively burden capital, such as businesses, due to residential preferences (Tiebout 1956) and cities' structural limits in the American federalist system (Peterson 1981). However, if it appears that cities can pass policies like minimum wage laws, it might signal a new turn in local policy action that expands the range of policy options available to cities. It could also suggest that cities, too, serve as leading policy actors and might prompt state or national action (Shipan and Volden 2006). On the other hand, if local action regarding minimum wage is the result of external factors allowing some cities to act and others incapable, it might further place-based inequities and raise concerns about the devolution of policy responsibility. Thus, the adoption of minimum wage laws presents an ideal scenario to examine the limits and effects of local policy action.

Theories of Local Political Action

The literature on local politics and policy action is often narrowly focused on either the external structures that cities operate in or the internal political structures of cities. Research in the former category points to the effects that external factors, such as economic trends, state and federal policy, and political structures, have on local policy action while discounting the political circumstances within cities that affect policy choices (Tiebout 1956; Peterson 1981). On the other hand, work in the latter group credits the adoption of local policies to interest groups or governing regimes while minimizing the external factors that enable or constrain local action (Dahl 1961; Stone 1989).

Charles Tiebout (1956) offered one of the earliest theories of policy provision at the local level. Local governments, Tiebout stated, shift the services they offer in response to residents' (consumer-voters) demands. In the Tiebout model, residents move freely between municipalities until they find a city that offers the mix of goods and services they desire. He writes, "The

consumer-voter may be viewed as picking that community which best satisfies his preference pattern for public goods” (Tiebout 1956, 418). In Tiebout’s theory, the free movement of residents between municipalities results in optimally sized cities offering the exact services desired by its residents at the lowest cost.

Tiebout’s model relies on a set of assumptions about resident mobility, knowledge, and employment that complicate his seemingly intuitive conclusion that people move to cities that best fit their needs. For example, the model assumes that residents are able and willing to move freely between municipalities, know the revenue and expenditure patterns of each municipality, and have no barriers to employment (Tiebout 1956, 419).⁴ In practice, however, residential movement is significantly more complicated than Tiebout states (Schoenbaum 2017).

More important than the practicality of Tiebout’s theoretical model is his overall view of cities as market goods. Tiebout reduces cities to products that residents choose between in a market of city choices. The result, as he writes, is that “communities are forced to keep production at a minimum either through the efficiency of city managers or through competition from other communities” (Tiebout 1956, 422). In short, cities seek to reduce their tax burden as they compete with other municipalities for mobile residents. This view distills the policymaking power of cities to the result of larger market forces in the hypothetical market of municipalities. Tiebout ignores the political and economic circumstances within cities and attributes policy choices to factors external to each municipality, specifically the preferences of residents and the basket of goods and services offered by other communities.

As briefly discussed earlier, Tiebout’s model is muddled when applied to the real world. Yet, despite the questionable assumptions that underlie Tiebout’s conclusions, the belief that intercity competition between cities drives policymaking has been widely accepted. Almost thirty years after

⁴ Tiebout lists a total of seven assumptions.

Tiebout, Paul Peterson similarly described intercity competition as the main driver of local policy in his influential book, *City Limits* (1981).

Peterson writes, “cities, like private firms, compete with one another so as to maximize their economic position” (1981, 29). Peterson believes that intercity competition is the result of cities’ constrained policy choices. He notes that “city politics is limited politics” because of the constitutional and market limits imposed on cities (Peterson 1981, 4). In this respect, Peterson is correct. Cities are creatures of the states and subject to the constraints placed upon them by state legislatures, as well as the limits created by the federalist system. These limits, Peterson argues, result in the singular goal of city policy to promote development.

“Policies and programs can be said to be in the interest of cities whenever the policies maintain or enhance the economic position, social prestige, or political power of the city, taken as a whole,” writes Peterson (1981, 20). According to Peterson, the interests of cities, determined by structural constraints, result in a narrow set of policy choices. Mainly, cities will pursue developmental policies that, theoretically, will improve the market position of a city and make it more attractive to mobile capital. Importantly, Peterson argues that redistributive policies, which he defines as programs with “income transfers from higher to lower income segments of the population” are antithetical to cities’ interests (1981, 43). Peterson concedes that some redistributive policies may be in order to support “low-income residents to help staff its services industries or more unskilled workers to operate its manufacturing industries,” but, overall, he believes redistributive policies adversely affect cities’ economic position because “they supply benefits to those least needed by the local economy, [but] they require taxation on those who are most needed” (1981, 43).

Just like Tiebout, Peterson equates cities to goods in a marketplace competing for mobile capital. In Peterson’s view of cities’ political power, the policies they implement should support the

development and growth of the local economy. Policies to help the less fortunate should only be considered insofar as they support the efficient functioning of cities' economies. While Peterson does acknowledge that there are differing interests from varying interest groups within cities, they do not outweigh the powerful need to enhance a city's market position against other cities.

It should be noted that Peterson is making a normative claim about policymaking at the local level. He acknowledges that cities may and do pass redistributive policies but believes they are harmful to cities' economic and fiscal health.⁵ Yet, one can see Peterson's influence in actual policymaking where tax incentives and corporate subsidies to attract mobile capital are the norm (Casselman 2018). Tiebout and Peterson observe, importantly, that cities operate within larger economic and political structures that affect the policymaking ability of localities but discount the internal politics that shape city policy. Certainly, internal politics and advocacy groups influence the policies that cities pursue even if one accepts the limits faced by local governments.

Counter to the determinants of local policy adoption endorsed by Tiebout and Peterson, namely, market forces and intercity competition, are theories of local action that emphasize the ways local politics shape policy. Robert Dahl argued that cities were pluralist democracies in the sense that citizens could easily enter the political sphere to, at the very least, indirectly influence local policy choices (1961). Studying the local government of New Haven, Connecticut, Dahl noted that politicians were generally open and responsive to the demands of the various interest groups within the city, contingent upon the political calculus made by the local official (1961).

Pushing back against the idea that local politics was directed by the most powerful in the society, Dahl believed that the relative openness of the political arena made it possible for every local interest to be heard. He writes, "The independence, penetrability, and heterogeneity of the

⁵ See "City Limits", chapter 10, *Is New York a Deviant Case?*, in which Peterson argues the redistributive policies passed by New York City led to its financial struggles in the 1970s (Peterson 1981).

various segments of the political stratum all but guarantee that any dissatisfied group will find spokesman in the political stratum” (Dahl 1961, 93). The openness of the local political system allows various interest groups to affect the policy choices of local leaders. And, as Dahl notes, in a democracy in which local officials are elected by voting citizens with distinct choices for whom to vote, politicians will “choose overt policies they believed most likely to win the support of a majority of adults [voters] in a society” (Dahl 1961, 101).

Of course, Dahl does not go so far as to suggest that New Haven is emblematic of a perfect democracy and acknowledges the inequalities of information, influence, and power that make for an uneven political playing field; but he stresses that local politicians, and as a result, local policies, are responsive to the interests of the local population. In Dahl’s conceptualization of local policy action, internal political structures significantly impact the policy choices of local governments through the pluralistic influence of interest groups within the city.

Contrasting with Dahl’s pluralistic vision of urban policy is Clarence Stone’s description of an urban governing regime (Stone 1989). While Stone’s description of urban political action parallels Dahl’s in that it attributes much of local policy adoption to the internal political structures of a city, he diverges by arguing that instead of a local democracy where any and every voice is heard, a coalition of elite public officials, business leaders, community leaders, and influential private citizens cooperate to shape local policy, often with an emphasis on protecting the existing power structures (Stone 1989).

Stone defines local governing regimes as “the informal arrangements by which public bodies and private interests function together in order to be able to make and carry out governing decisions” (1989, 6). The regime, Stone carefully notes, and as briefly described above, is not a simple partnership between government and business, since a multitude of interests can be part of

the governing regime, but he emphasizes the importance of business interests to any governing regime due to the significant role that private business and capital play in cities (1989).

Stone, writing specifically about the power of Atlanta's business community in the urban regime, writes, "the business elite is an active part of the governing coalition and uses that position to further the claims that it makes on public authority and public resources" (1989, 234) with the resulting decisions "protecting privilege" (1989, 244). Regimes, then, do offer an opportunity for diverse interests to influence city policy, as suggested by Dahl, but structural power imbalances negate the effect of community interests outside of the governing regime, which is often dominated by private business interests. Local decision making is then limited to a select group of elites with the capacity and influence to sway government action.

These descriptions of the determinants of local policy action, while not exhaustive of the full debate, highlight the tension between those theorists that argue local policy is subject to factors outside of the city, such as competition and mobile capital, and those that believe internal political structures are most influential. Of course, these theories are not mutually exclusive and there is some overlap. For example, Stone (1989), while noting the importance of the urban regime in policymaking, acknowledges Peterson's view that growth-oriented policies motivate many city leaders; and Peterson (1981) points out that New York City passes many redistributive policies which are, as he argues, contrary to the city's actual interests.

Yet, while all of these theories offer important insights into how cities adopt policies, they do not compare the effects of each of these factors in local policy adoption. By defining and testing a set of variables that capture the potential internal and external characteristics that influence the adoption of a specific policy this paper will shed light on how internal and external factors shape policy adoption within a city and across a range of cities.

Determinants of Local Policy Adoption

The following sections will offer some hypotheses regarding the factors that influence the local adoption of a minimum wage policy. Together, these variables should help disentangle the effects of internal (political) and external (market and structural) factors on local policy adoption.

Local Context

Variables grouped in the local context category are the political and social structures within each city that influence local policy action. The local variables can generally be thought of as the internal factors shaping policy adoption. Dahl (1961) and Stone (1989) argued that decision making at the local level is the result of city politics and interest groups. These factors attempt to measure the strength of local politics in the adoption of minimum wage policies.

A natural starting point when discussing the political responsiveness of city policy is the people who live in that city. Elected officials, if responsive to local demands and interested in remaining in elected office, should adopt the policies desired by their constituents (Dahl 1961). The logical question, however, especially considering Tiebout and Peterson's view that cities' policies are shaped by external factors, is whether cities' officials respond to residential preferences? Research does show that municipal governments do respond to resident preferences (Einstein and Kogan 2016). Further, it seems that city policy responses shift depending on the political inclinations of the citizenry. Cities with more Democratic voters institute more progressive policies (Einstein and Kogan 2016) and cities with left-leaning politicians increase their welfare spending (Hicks 1993). As a result, I expect that cities with a larger share of Democratic voters will be more likely to adopt minimum wage policies.

Central to Dahl's (1961) theory of local pluralism is the presence of local interest groups. Other scholars have similarly found that interest groups at the local level influence policy adoption.

Skocpol (1993) found that volunteer advocacy organizations significantly affected the passage of mothers' pensions at the state level in the 1910s.⁶ Dealing specifically with wage regulations, Martin (2001) shows that an increased presence of local labor unions improves the chances that a city passes a living wage ordinance. Cruz (2009) and Sharp, Daley, and Lynch (2011) similarly discuss the influence that advocacy groups have in increasing the likelihood of a city passing urban growth and climate change mitigation policies, respectively. Dahl's prediction that local interests can shape local policy seems plausible, and I expect that in the case of minimum wages a city with more powerful interest groups pushing for a minimum wage would positively affect the likelihood that a city passes a minimum wage.

But interest group's messages may be received and acted upon differently depending on the structure of a city's government. If a city government is not responsive to the demands of its citizens or interest groups, then the relative strength of each city's advocacy network in support of minimum wages will have a minimal impact on whether a city passes such a law. Schragger (2005) provides an excellent account of how the progressive reforms during the 1900s blunted municipal political accountability and responsiveness. The structure of the government is a significant factor in whether policies respond to citizen and interest group pressure. Several studies support the hypothesis that cities with mayor-council structures are more receptive to local political pressures (Feiock 1992; Sharp 2002; Cruz 2009; Sharp, Daley, and Lynch 2011; Rosenthal 2015). Cities with a mayor-council form of government should be more likely to pass minimum wage policies, especially if there is citizen and interest group support for such a policy.

⁶ Mothers' pensions (sometimes called "widows' pensions") were state-level enabling statutes authorizing local governmental authorities to make regular payments directly to impoverished mothers (and occasionally other caretakers) of dependent children (Skocpol 1993, 686).

State Context

While cities do enjoy the legal autonomy to pass laws and regulations, the limits of those legal powers are defined by state governments. Cities are first granted legal powers through charters, written by the state government, granting them the autonomy to set and pass laws. Even after a city is granted a charter, the state can still affect city action through court rulings and preemptive legislation. To study city action without considering the political context of the state where that city is located would be shortsighted. Variables capturing the influence of state policies are essential to understanding local policy adoption and represent one half of the external forces influencing local policy adoption.

Perhaps the most significant method in which states can shape local policymaking is through state preemption laws. State preemption laws are laws passed by the state legislature that restrict, or eliminate, the ability of localities to pass legislation in a policy domain. Such preemption laws severely curtail the regulatory power of the city, and in some cases, completely eliminate the potential of local action. State governments are increasingly turning to state preemption laws to hamstring city action in policy domains from “sanctuary cities” to gender discrimination (Scharff 2018; Schragger 2018). Several states have passed preemption laws restricting the power of cities to mandate wage rates (National Employment Law Project 2017). I expect that a city located in a state with laws or policies hostile to local action, such as preemption laws, would be less likely to adopt a local minimum wage law.

Alternatively, a state might pursue its own minimum wage. Historically, states were the first level of government to enact minimum wages, starting with Massachusetts in 1912 (Neumark and Wascher 2008). Today, 29 states have passed minimum wage laws with wage floors above the federal minimum wage (National Conference of State Legislatures 2018). Cities located in states with minimum wages above the federal level might react in two ways: (1) the city might be less likely to

act because their residents are already benefitting from higher wages, or (2) the city may feel empowered to pass their own minimum wage laws higher than the state's wage. In this paper, I expect that cities in states with higher minimum wages will be more likely to pass their own minimum wages because they feel permitted to act by the state.

Economic Context

The third and final grouping of variables that this paper will examine deals with the economic strength and vulnerability of each city. There is significant variation in the economic position of cities across the United States that could influence the policies those cities can pursue and implement. Rich, economically secure cities may not fear an exodus of mobile capital in the same way that struggling cities might. Cities that are, or at least believe to be, less vulnerable to capital outflow might pursue redistributive legislation, in this case minimum wage policies, that less economically secure cities are hesitant to pass out of fear of continued disinvestment. While some might consider the economic context to be a local factor since economic circumstances must be explained by local policy choices. However, I treat economic variables at the local level because of the national and global forces shaping the economy and the challenge in proving causality between local policy and economic growth (Schragger 2016).

There is a robust set of literature showing the positive relationship between the population of a city and the passage of progressive policies, from water fluoridation (Crain 1966), living wage mandates (Swarts and Vasi 2011), and climate mitigation measures (Rosenthal 2015). Walker (1969) noted that more populous states are correlated with being policy leaders.⁷ Several reasons might be responsible for the positive relationship between city size and policy adoption. Walker suggested

⁷ Although Walker studied the effect of population on policy adoption at the state level, I believe the same effects could be expected at the local level.

that larger states might be more professional and have more resources allowing them to invest more time, money, and staff to explore and implement new policies (1969). Shipan and Volden (2006; 2008) also note the link between a professional legislature and policy adoption. Larger cities may also be more willing to serve as policy leaders because they are less concerned with capital outflow or intercity competition (Shipan and Volden 2008). I expect that larger cities will be more likely to pass local minimum wage laws.

Central to the arguments made by Tiebout and Peterson is that there is a market of municipalities people can move to if they are not satisfied with their current city. In their market-oriented view of intercity competition, people and capital move freely between cities to find one that best fits their needs. Cities, then, would be reluctant to pass redistributive policies if they are concerned that by enacting such policies they may end up in a weaker economic position. (Volden 2002; Bailey and Rom 2004). In the case of minimum wage laws, cities might be concerned that businesses (and subsequently employees) will relocate to cities without a minimum wage to avoid the higher cost of doing business, especially if there are equally attractive alternatives within the same labor market as the city that adopted a minimum wage. Businesses could then shift their place of production while still capturing the same workers but without being required to pay higher minimum wages. If a city is located in a metropolitan area with a higher number of cities, I expect that these cities will be less likely to pass minimum wage laws out of fear of border hopping by local businesses.⁸

A city with a strong economy, even in metropolitan areas with a large number of cities, might be less fearful of capital exit as a result of minimum wage laws because of the multitude of other reasons guiding business location. Peterson (1981) argues that cities should pass development-

⁸ Metropolitan Statistical Areas are defined by the U.S. Office of Management and Budget to identify adjacent counties with a high degree of economic integration (U.S. Census Bureau). Thus, cities within the same metropolitan area should be able to capitalize on similarly skilled labor fairly easily.

oriented policies to attract mobile capital, but as Schragger (2013) points out, this viewpoint assumes that governmental policies are a significant factor in business location (which they are often not) and capital is fairly mobile (which it also often is not) (Gertler 1997). In fact, research points to the somewhat random events that can lead to industry or firm concentration in certain locations (Krugman 1991). These places, in turn, build on this initial success many times over (Moretti 2013). Importantly, the economic position of a city does influence its capacity to pass policies and serve as a policy leader (Crain 1966; Walker 1969; Skocpol 1993). And economically strong cities would also be less concerned about economic outflow (Shipan and Volden 2008). This leads to the hypothesis that cities in a stronger economic position would be more likely to pass minimum wage policies.

One could also consider that cities with the most need for higher wages might pursue a minimum wage policy. A city with a high poverty rate or unaffordable housing, for example, could look at increasing the wage floor as a means to address the challenges that result from low incomes. However, other research finds that an economic need did not increase the chance of a city passing a living wage policy (Swarts and Vasi 2011). High poverty rates, low incomes, unaffordable housing, and other forms of economic need could also point to signs of local fiscal stress that might reduce the city's resources needed to pass such a policy (Sharp 2011). Economic need and fiscal stress might reduce the policymaking power of a city, and in this paper, I expect that cities that demonstrate a greater need for higher wages will be less likely to pass minimum wage policies.⁹ The following section will outline the methodological approach used in this paper as well as a description of the variables.

⁹ It is also possible that presence of extreme wealth and poverty within cities may lead to the economic need having a slight positive or no effect.

Data and Methods

The previous section offered some hypotheses regarding the effects of several local, state, and economic variables in shaping the probability that a locality adopts a local minimum wage law. In this section, I will introduce the data used to operationalize those variables and the method of analysis before discussing the results. The statistical software Stata and R and mapping software ArcGIS were used to create, clean, and analyze the data.

Dependent Variable

In this paper, the dependent variable is a binary categorical variable measuring the presence of a local minimum wage law in a city. The variable was created by generating a list of all places in the United States from the 2010 US Census TIGER shapefiles.¹⁰ This list of places, which includes all cities in the United States, was merged with a dataset of cities indicating whether or not they have a minimum wage in 2017 based on a database managed by the UC Berkeley Labor Center.¹¹ A city was given a value of 1 if a local minimum wage law was in effect in 2017 and a 0 if there was no local minimum wage law.

It must be noted that the dependent variable is measuring only the presence of a minimum wage law in 2017, not whether a city once passed a minimum wage law or considered a minimum wage law. This is important because it shapes the independent variables I used and also undercounts the total number of cities who did pass minimum wage laws. For example, Birmingham, Alabama passed a local minimum wage ordinance in 2015 but the law never went into effect because the state of Alabama passed a state law forbidding the enactment of local minimum wages. Several other cities had similar experiences to Birmingham, such as Louisville, St. Louis, and Kansas City (Economic Policy Institute 2019). These examples point to another measure for the dependent

¹⁰ <https://www.census.gov/geo/maps-data/data/tiger-line.html>

¹¹ <http://laborcenter.berkeley.edu/minimum-wage-living-wage-resources/inventory-of-us-city-and-county-minimum-wage-ordinances/>

variable that could capture whether a local minimum wage law was ever passed by local legislators, regardless of whether it went into effect. While this may be a more appropriate measure of local engagement on the minimum wage issue, time and data constraints necessitated the use of the dependent variable as defined in this paper.

The sample is limited to places with a population of at least 10,000 and located in a metropolitan area. The sample does not include localities in Alaska. The result is a total sample size of 3,137 cities in the United States. Only 35, or 1.12 percent, of these cities had a minimum wage law in 2017.

Local Independent Variables

One of the goals of this paper is to determine how much the local factors unique to each city affect the likelihood of it passing a minimum wage law. Several variables were created to attempt to measure how much internal factors shape local policy adoption. One variable was constructed to evaluate the effect of the local residents' political preferences by measuring the percent of people who voted for a Democrat in the 2012 Presidential Election. The 2012 election was chosen because this is the first year in the panel dataset tracking local minimum wages, so it captures the political inclinations of residents as cities began to pass local minimum wage laws in earnest. The Presidential Election also is significantly correlated with political preferences in ways that might not appear at the local election level (Einstein and Kogan 2016). The smallest geographic detail at which this data was available was at the county level. As a result, each city was assigned the value of the county in which the city's centroid was located using ArcGIS. This may dilute the variation in resident preferences in counties that are home to many cities, but it serves as an effective overall indicator of progressiveness and the likelihood of residents supporting policies such as minimum wages.

A second hypothesis relating to the local effects on the likelihood of a city passing a minimum wage law was the size of the total population of the city with the expectation that larger cities will be more likely to adopt minimum wage laws. Each city was thus assigned a variable that measures the natural log of the total population of the city in 2017 based on the American Community Survey's 2017 5-year estimates.

A third hypothesis relating to local effects was the presence of interest groups that support minimum wage laws at the local level. In order to measure the potential for local activism in support of minimum wages, a variable was included that measures the percent of workers who are members of a union in each city's metropolitan area. Hirsch and Macpherson (2003) estimate the union membership numbers for metropolitan areas in the United States based on the Current Population Survey for each year. I utilize the data created by Hirsch and Macpherson to match each city with the union data for the metropolitan area in which the city is located.

Finally, the prior section discussed how the structure of government of each city would influence the likelihood of local adoption of a minimum wage. Unfortunately, there was not enough time to put together a variable that distinguishes those cities that have a mayor-council form of government from other government structures. This is certainly a limitation in this paper and worthy of further exploration.

State Independent Variables

As discussed earlier in the paper, it is not possible to consider local political action without also considering the effects that state policies and actors have on the local process. I offered two hypotheses regarding the effects of state policies on local minimum wage adoption in the previous section. The first hypothesis was that cities located in states that restrict local action, such as through preemption laws, would be less likely to pursue a minimum wage law. Unfortunately, due to data and

time constraints, it was not possible to measure this effect in the current study. As a result of the method for measuring the dependent variable, whether or not a city has a minimum wage is perfectly correlated with whether or not the state the city is located in has a preemption law. In the case of Birmingham, for example, while it did pass a local minimum wage at one point, it is no longer in effect because of a state preemption law. Thus, Birmingham is not counted as ever having a minimum wage even though it passed at the local level. However, if an alternate measurement was used for the dependent variable, such as considering whether local actors lobbied for changes to state law regarding minimum wage, it would be more feasible to study the effects of state preemption laws, or other explicit state policies, in limiting city action. Although there is no variable that explicitly measures state limitation of city autonomy, I believe the second state-level variable (state minimum wage) will capture an implicit measure of state support or hostility for local action.

The second hypothesis regarding the effects of state action on local minimum wage adoption was that cities located in states with state minimum wages higher than the federal wage would be more likely to pass local minimum wages. I created a variable that records the state minimum wage of the state where each city is located. This data was pulled from the Department of Labor website that lists the historic minimum wage rates for each state (2019). Several states have varying minimum wages depending on the industry. For example, many states have a lower minimum wage for workers in tipped industries, such as restaurant servers, than for other industry sectors. In this variable, I use the highest minimum wage rate at the state level to correspond to the federal top-end minimum wage of \$7.25 per hour.

Economic Context Variables

The final group of variables discussed were the economic factors that influence local policy adoption. Specifically, this paper is looking at how the number of places within a single metropolitan

area, local employment growth, and local rent burden shape policy adoption. The first hypothesis noted that as the number of other cities a city has to compete with for mobile capital increases, the likelihood of passing a local minimum wage should go down. A variable was created that counts the number of places within each city's metropolitan area to estimate the potential locations for capital to exit to and still benefit from the same labor market. This variable was constructed using ArcGIS and the United States Census TIGER shapefiles to identify the number of places that fall within each metropolitan area based on the city's centroid. I used the 2013 TIGER shapefiles of metropolitan statistical areas to correspond with the Office of Management and Budget's updated metropolitan area definitions based on the 2010 Census. Each city was then assigned a numeric variable counting the total number of places within the metropolitan area in which that city is located. For example, there are 819 independent jurisdictions within the New York City Metropolitan Area and each city in that metropolitan area (e.g. New York City, Yonkers, Jersey City) was given a value of 819 for the variable measuring the count of localities within the metropolitan area.

The economic strength of a location was measured by calculating the annual employment growth rate for the metropolitan area in which it is located based on Bureau of Economic Analysis' data from 2001 to 2012. The start year was the earliest year the data was available for metropolitan areas.¹² The end year of 2012 was chosen for two reasons. First, that is the earliest year in the dataset in which a locality passed a minimum wage law, so it captures the long-run economic trends of each city up to the point that cities began passing their own local minimum wages. Second, it also represents a point in time when many cities were coming out of the recession and seeing economic gains again. A decision was made not to include an annual employment growth rate (i.e. the percent

¹² The BEA will ultimately release data for each metropolitan area dating back to 1970. However, the BEA was updating its methodology and was still working to harmonize earlier years with more recent years based on the updated methodology.

change from 2016 to 2017) because the long-term economic trends were seen as more relevant to creating the conditions to enable, or not, localities' ability to pass a minimum wage law. A decade of consistent and strong employment growth, theoretically, would reduce city leaders' fear of capital outflow as a result of enacting a local minimum wage more than a single year of positive employment change.¹³

The third and final economic variable this paper looked at was a measure of whether cities respond to a need for higher wages by passing a minimum wage law. Economic need, in this case, was measured by the percent of each city's population that is rent burdened.¹⁴ This variable was constructed using estimates from the American Community Survey's 2017 5-year estimates and calculated by dividing the total number of renters in a city that pay more than 30 percent of their gross income on rent by the total population of renters in that city. Table 1 below shows the mean and median for each variable in the sample data used in the regression.

Table 1: Independent Variables

Variable	Description	Mean	Median
DemVoteShare	% vote share for Democratic Presidential Candidate in 2012 Election	52.80 (%)	53 (%)
LogPop	Natural log of 2017 city population	10.29	10.08
UnionMembership	% of union membership in city's MSA	11.42 (%)	11.8 (%)
StateWage	State minimum wage of state in which each city is located	8.13 (\$)	8.25 (\$)
MSAPlaceCount	Count of localities in each MSA	190.01	126
EmploymentGrowth	CAGR for city's MSA from 2002 - 2012	1.22 (%)	1.19 (%)
RentBurden	% of rent-burdened residents in each city	47.21 (%)	47.14 (%)

Regression Method

This paper utilizes a linear probability model to estimate the effects of each of the independent variables described above. A linear probability model estimates the relative effects each

¹³ Consistent long-run economic growth may also create local conditions that demand higher wage-rates because of increasing bifurcation between low- and high-wage earners in a city.

¹⁴ A person is considered rent burdened if they spend more than 30 percent of their gross income on rent.

variable has on the probability of a locality adopting a minimum wage (i.e. having a value of 1 for the dependent variable). The regression model can be summarized by the following equation:

$$\text{LocalWagePolicy}_j = f(\text{LocalEffects}_j, \text{StateEffects}_j, \text{EconomicEffects}_j)$$

where j is the individual city. Of course, this equation also includes an intercept term and an error term. The full equation is written as such:

$$\text{LocalWagePolicy}_j = B_0 + B_1(\text{DemocraticVoteShare})_j + B_2(\text{LogPop})_j + B_3(\text{UnionMembership})_j + B_4(\text{StateMinWage})_j + B_5(\text{MSAPlaceCount})_j + B_6(\text{EmploymentGrowth})_j + B_7(\text{RentBurden})_j + u_j$$

Where j is the individual city and u is the error term.

The linear probability model was chosen for its ease to run and interpret. Another common approach would be to use a logit regression which restricts the predicted values to remain between 0 and 1 to match the dependent variable. I also ran a logit regression using the data. The results were similar to the linear probability model so I do not cover them in the results section, but they can be found in the appendix.

Results

As mentioned above, a linear probability model is used to estimate the effects of each of the independent variables on the likelihood of a city adopting a minimum wage law. The results are segmented into four separate models to test each of the groupings of variables (local, state, economic) and to test all variables together. Table 2 below shows the regression results for each model.¹⁵

¹⁵ The appendix has several other variations on the linear probability model, but the results will only discuss the models shown in Table 2. The results using a logit regression are also found in the appendix.

Table 2: Local Adoption of Minimum Wage Laws

	(1)	(2)	(3)	(4)
DemVoteShare	0.00078 (4.89)**			0.00077 (4.68)**
LogPop	0.02261 (4.54)**			0.023 (4.44)**
UnionMembership	-0.00003 (-0.17)			-0.00028 (1.00)
StateWage		0.00347 (5.20)**		0.00205 (3.70)**
MSAPlaceCount			-0.00001 (1.97)*	-0.00001 (-0.78)
EmploymentGrowth			-0.00307 (2.31)*	-0.003 (-1.55)
RentBurden			-0.00001 (-0.06)	-0.00062 (3.38)**
Constant	-0.26276 (4.84)**	-0.01703 (4.34)**	0.01778 (2.24)*	-0.24595 (4.64)**
R2	0.05	0.01	0	0.06
N	3,136	3,137	3,137	3,136

Robust standard errors are in parentheses

*p < 0.05; ** p < 0.01

Model 1 shows the effects of the local variables on the likelihood of the passage of minimum wage laws for each city. The coefficients for each variable are quite small but that is to be expected considering only 1.12 percent of cities have a minimum wage in the sample. But, focusing on the significance, Model 1 shows that two out of three local variables are highly significant. The positive and significant coefficients for the democratic vote share and population variables indicate that the more Democratic and populated a city, the more likely it is that it will pass a minimum wage law, consistent with the hypothesis stated earlier. The percent of union membership variable is positive but not significant.

Model 2 indicates that a city located in a state with a higher minimum wage is more likely to pass a local minimum wage law. Similar to the coefficients in Model 1, the coefficient for the state wage variable is small but highly significant. This suggests that cities located in states with higher

minimum wages feel empowered to act locally as well. This variable may also be capturing some of the state-level hostility towards localities in states with lower minimum wages. It certainly suggests that local action can be encouraged by state-level policies.

Model 3 focuses on the economic variables that shape local policymaking. Interestingly, all the variables in the economic grouping are negative and only two are significant. There appears to be a tiny effect based on the number of localities within a metropolitan area. As the number of potential locations for capital to exit to increases, a city is slightly less likely to pass a minimum wage law. The employment growth variable also indicates that a city located within a metropolitan area with a higher annual average growth rate is less likely to pass its own minimum wage law.¹⁶ The rent burden variable is the only non-significant variable in Model 3 and indicates that cities with a higher rent burden would be less likely to pass a minimum wage law.

Model 4 estimates the effects of all the variables together. Importantly, the results indicate robustness across all the models in the coefficients. The coefficients for each variable do not change dramatically between models and most variables retain their significance levels. However, the variables in the economic grouping, while maintaining similar coefficients, switch in their significance. In Model 3, the variables for employment growth and the count of places in a metropolitan area are negative and significant, but they are insignificant in Model 4. The rent burden variable, meanwhile, remains negative but grows in magnitude and becomes highly significant in Model 4 suggesting that cities with a greater need for higher wages are less likely to pass a local minimum wage. On its face, this suggestion makes sense as a greater percentage of a locality's

¹⁶ This result is counter to the original hypothesis that higher annual growth rates would make a city more likely to implement a minimum wage law. Part of the reason for this result may be that there are a number of smaller cities located in high-growth metropolitan areas and these small cities are less likely to pass minimum wage laws due to their small populations. For example, Hidalgo, Texas is located in the metropolitan area (McAllen-Edinburg-Mission, TX Metro Area) with the largest annual rate of employment growth (3.35%) but only has a population of 13,593.

population that is rent burdened could signal some structural challenges that limit a locality's ability to act independently, especially in smaller cities.

The results in Model 4 indicate that, among the significant variables, the higher the proportion of Democratic voters in a city, the more likely a city will be able to pass a minimum wage law. This is followed by the population variable which suggests that as the size of a city increases it is modestly more likely to institute a minimum wage. A higher state minimum wage remains positive and significant, supporting the hypothesis that cities located in states with higher minimum wages will feel more capable of acting independently without fear of state preemption or retaliation.

Overall, the results point to the role that local conditions play in shaping local policy. Again, while the coefficients are modest, they suggest that cities' policymaking capability is not as constrained by economic factors as Peterson and Tiebout suggest. Yet, the results also show that city action is shaped by state and economic factors. State policies can encourage local action, or they can hinder it. And a city facing serious structural challenges, such as a high rate of rent burdened citizens, may be suffering from economic forces out of its control and that constrain its policymaking power.

As stated above, the results in Table 2 do not definitively point to any one factor that completely shapes local policy action regarding local minimum wages. It clearly remains a complex and varied phenomenon, reflecting the unique circumstances facing each city. However, it does appear that there is a trend in local adoption of municipal minimum wages that might reflect a shift in the locus of policy action, at least for certain cities. I would like to draw back from the empirical results stated above to consider the broader trends that the adoption of local minimum wages might be demonstrating.

First, it is hard to ignore the dramatic uptick in the number of cities with a local minimum wage. While there are only 35 cities in 2017 with a minimum wage, this is a significant change from

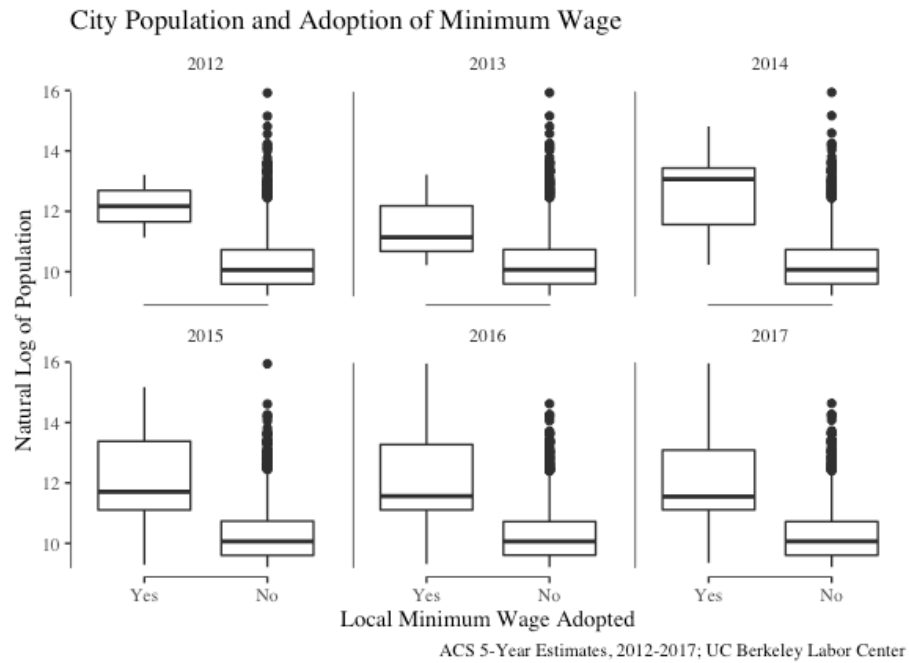
just five years earlier when only 2 cities had a minimum wage law (Figure 1). And today, over 40 cities have a minimum wage law on the books (UC Berkeley Labor Center 2018).

Figure 1



Figure 1 shows the considerable increase in local minimum wage laws between 2012 and 2017. And while the population of a city is certainly important in determining whether it can pass its own local wage law, it does not appear to be completely deterministic. On average, cities with minimum wage laws tend to be larger cities, but there are still several small cities with local wage laws. Emeryville, California was the smallest city with a minimum wage law in 2017 and its total population was just over eleven thousand people. In fact, there are five cities with populations under 30,000 people with minimum wage laws in 2017. Figure 2 plots the range of the natural log of the population for cities with and without minimum wage laws and it shows that larger cities do appear more likely to pass a minimum wage law, especially in later years, but smaller cities can still act.

Figure 2

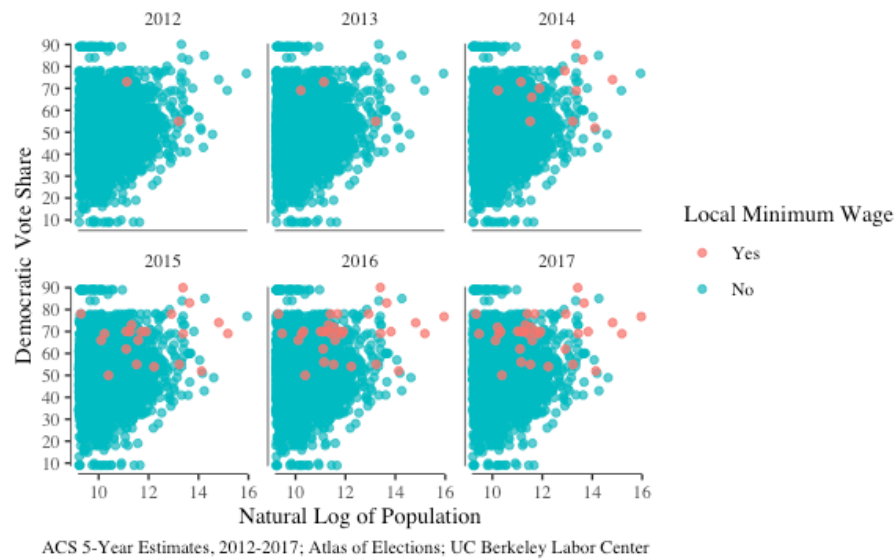


It also appears that local politics shapes local policy. The regression results bear this out, as well as the general trends in policy adoption, as cities with more Democratic voters are more likely to pass minimum wage laws (Figure 3). This suggests, perhaps more than any other variable, that cities are capable of responding to local needs and are not as limited as traditionally assumed in their policymaking capability. But if we focus on the upper half (especially the upper right quadrants) of the graphs in Figure 3, it is hard to ignore the sheer quantity of cities with a large share of Democratic voters that lack a minimum wage. This points to the limitations of local action.

Figure 3

Presidential Democratic Vote Share and Population

Vote share is the county vote share of the county in which the city is located for the 2012 Presidential Election



Cities are creatures of state governments. And in the United States' federalist system, states have a tremendous ability to unlock or constrain city power. Figure 4 emphasizes the effect of state minimum wage policy on local action regarding minimum wages. It shows that in 2017 the only cities that passed local minimum wage laws were located in states with a state minimum wage higher than the federal minimum wage, despite the fact that there are states with no minimum wage and no preemption law banning city action on wage rates. This points to the important role that state policy has on local action and suggests that even the most capable cities can be hamstrung by states reluctant to encourage city power.

Figure 4



Conclusion

This paper set out to answer two questions related to city power by examining the adoption of local minimum wage laws:

- (1) How do internal and external factors influence local policy adoption?
- (2) Based on the factors that shape local policy action, what are the implications for policymaking at the local, state, and federal levels?

Regarding the first question of the paper, the empirical results, while not definitive, offer some insights into the varying factors that shape local policy adoption. Above all, the results suggest that cities do have the power and ability to pursue progressive policies in response to local demands and needs. The relationship between the political ideology of a city and the adoption of a minimum wage law demonstrates that cities can respond to the political demands of their citizens and policy is not dictated completely by factors external to a city.

At the same time, the results also underscore the limits of policy action that Peterson argued drive city policymaking (1981). The fact that no cities located in states with state minimum wages lower than the federal minimum wage have passed a local wage law emphasizes the importance of state policy on local action. States have a tremendous power to dictate local matters and state policy can encourage or hamper city action. And state preemption laws can completely remove local action in certain policy areas (Scharff 2018; Schragger 2018).

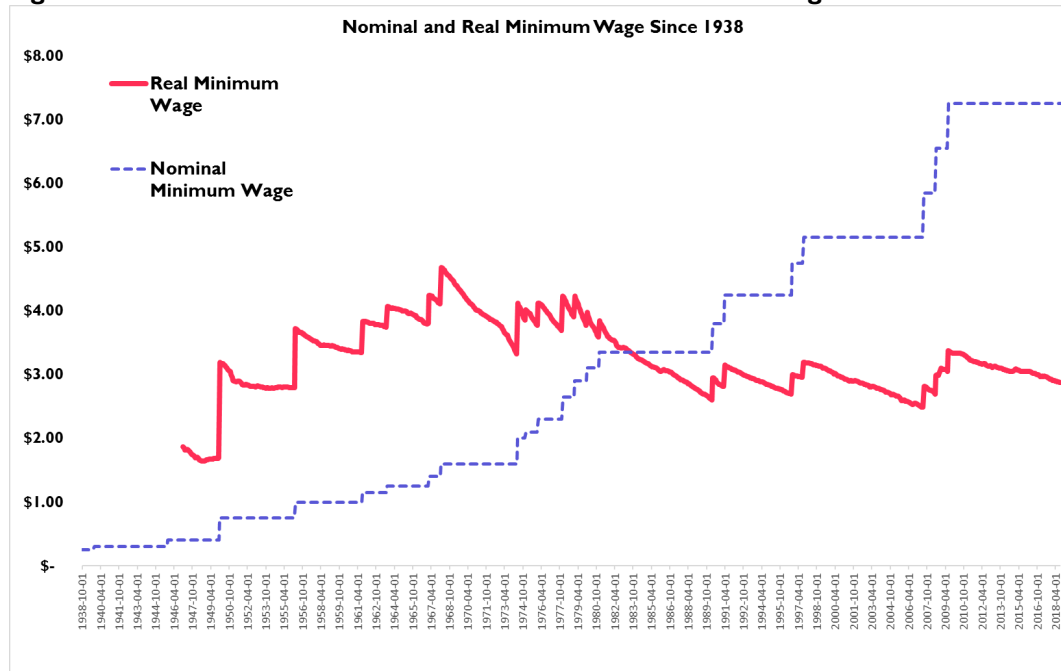
Finally, the size of the city appears to influence the ability of a city to pass a local minimum wage law. There are several smaller cities that passed minimum wage laws but, on the whole, larger cities are more likely to pass local wage laws. This certainly points to some internal characteristics of these large cities, such as a level of government professionalization, that smaller cities often lack. But it also points to the challenge of cities acting independently. There are only a handful of large, megacities in the United States while the vast majority of cities are much smaller. This is important to remember in considering the second question of this paper: what are the implications for local, state, and federal policymaking?

There is plenty of merit to the recent literature celebrating the unique capabilities of cities to overcome partisan debates and implement progressive, pragmatic policy solutions (Schragger 2016; Katz and Nowak 2017). Cities are incredible places of policy collaboration, creativity, and innovation. We should expect our cities to do more. But there is also a danger in believing cities can solve their most pressing challenges, like wage stagnation, on their own. Indeed, many cities are thriving and engines of economic activity, liberalism, and activism. These cities, often located in equally progressive states, certainly appear to have the power to pass more redistributive policies than Peterson believes (1981). But there are many more cities that are small and located in restrictive states that face serious challenges in acting independently. These are places we should not expect to be able to institute redistributive policies in the face of state and federal retrenchment.

Further, the current argument that cities will lead the country in the right direction ignores the decades of local policies that entrenched discriminatory practices (Lieberman 1998; Liu 2018). The solution seems to be somewhere in the middle. Cities should not be asked or expected to go it alone. That hyper-localism ignores the stark differences between cities that will lock out residents of poorer, conservative cities from policies that can improve their lives, such as minimum wage laws. Cities can do more to shape their future, but policymakers should not implicitly endorse further federal retrenchment under the guise of local action. It is critically important, even in the current period of urban expansion, to pursue local, state, and federal policies that match the multi-scalar and -jurisdictional challenges cities face.

Appendix

Figure A1: Nominal and Real Value of the Federal Minimum Wage



Source: Author's calculation using historic minimum wage levels and CPI-U (unchained); U.S. Bureau of Labor Statistics; U.S. Department of Labor

Table A1: Local Adoption of Minimum Wage Laws, Standardized Variables, Linear Probability Model

	(1)	(2)	(3)	(4)
DemVoteShare	0.01085 (4.89)**			0.0107 (4.68)**
LogPop	0.01993 (4.54)**			0.02027 (4.44)**
UnionMembership	-0.00021 -0.17			-0.00169 (1.00)
StateWage		0.008 (5.20)**		0.00474 (3.70)**
MSAPlaceCount			-0.00274 (1.97)*	-0.00135 -0.78
EmploymentGrowth			-0.00213 (2.31)*	-0.00208 -1.55
RentBurden			-0.00008 -0.06	-0.0057 (3.38)**
Constant	0.01085 (6.02)**	0.01116 (5.96)**	0.01116 (5.95)**	0.01085 (6.03)**
R2	0.05	0.01	0	0.06
N	3,136	3,137	3,137	3,136

*p < 0.05; ** p < 0.01

Table A2: Local Adoption of Minimal Wage Laws, Linear Probability Model

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
DemVoteShare	0.00093 (5.28)**							0.00077 (4.68)**
LogPop		0.0242 (4.71)**						0.023 (4.44)**
UnionMembership			0.00038 (2.04)*					-0.00028 (1.00)
StateWage				0.00347 (5.20)**				0.00205 (3.70)**
MSAPlaceCount					-0.00001 (1.96)*			-0.00001 -0.78
EmploymentGrowth						-0.00308 (2.30)*		-0.003 -1.55
RentBurden							-0.00006 -0.38	-0.00062 (3.38)**
Constant	-0.0379 (4.91)**	-0.23775 (4.62)**	0.00651 (2.86)**	-0.01703 (4.34)**	0.01364 (5.28)**	0.01492 (5.09)**	0.01384 -1.86	-0.24595 (4.64)**
R2	0.01	0.04	0	0.01	0	0	0	0.06
N	3,137	3,137	3,136	3,137	3,137	3,137	3,137	3,136

*p < 0.05; ** p < 0.01

Table A3: Local Adoption of Minimum Wage Laws, All Variables, Cumulative, Linear Probability Model

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
DemVoteShare	0.00093 (5.28)**	0.00078 (5.13)**	0.00078 (4.89)**	0.00073 (4.78)**	0.00074 (4.80)**	0.00071 (4.62)**	0.00077 (4.68)**
LogPop		0.02297 (4.63)**	0.02261 (4.54)**	0.02233 (4.49)**	0.02204 (4.35)**	0.02239 (4.37)**	0.023 (4.44)**
UnionMembership			-0.00003 -0.17	-0.00032 -1.33	-0.00015 -0.67	-0.00044 -1.52	-0.00028 (1.00)
StateWage				0.00172 (3.19)**	0.00162 (3.20)**	0.00199 (3.65)**	0.00205 (3.70)**
MSAPlaceCount					-0.00001 -1.2	-0.00001 -0.68	-0.00001 -0.78
EmploymentGrowth						-0.00455 (2.31)*	-0.003 -1.55
RentBurden							-0.00062 (3.38)**
Constant	-0.0379 (4.91)**	-0.26643 (4.93)**	-0.26276 (4.84)**	-0.26753 (4.90)**	-0.26466 (4.78)**	-0.26124 (4.77)**	-0.24595 (4.64)**
R2	0.01	0.05	0.05	0.05	0.05	0.05	0.06
N	3,137	3,137	3,136	3,136	3,136	3,136	3,136

*p < 0.05; ** p < 0.01

Table A4: Logit Model of Local Minimum Wage Laws

	(1)	(2)	(3)	(4)
DemVoteShare	0.09877 (5.65)**			0.11672 (5.17)**
LogPop	1.09978 (7.75)**			1.30181 (7.65)**
UnionMembership	0.02983 -0.87			-0.073 -1.3
StateWage		0.87476 (5.24)**		0.92294 (4.18)**
MSAPlaceCount			-0.00159 -1.4	-0.00433 (2.07)*
EmploymentGrowth			-0.25777 -1.07	-0.66691 -1.37
RentBurden			-0.00114 -0.06	-0.07487 (2.73)**
Constant	-22.96901 (10.64)**	-12.49742 (7.63)**	-3.8754 (4.20)**	-28.7874 (8.45)**
N	3,136	3,137	3,137	3,136

*p < 0.05; ** p < 0.01

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