

Reducing horizontal neglect in local government: The role of informal institutions

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Abstract

The problem of “horizontal neglect” is fundamental to decentralization. However, while individual local authorities may lack incentives to consider the benefits and costs that their actions have on others, they are not always indifferent to these spillover effects. The study focuses on a clear case of horizontal neglect, namely the tendency of local authorities to overspend prior to merging. By employing a survey experiment involving Norwegian local elected officials, the article demonstrates that horizontal neglect can be alleviated through informal institutions, specifically through prosocial norms and the framing of decisions in a way that encourages officials to consider the impact on other jurisdictions. Priming local politicians with reminders of their broader responsibilities reduces both horizontal neglect and the overspending effect of social norms that stem from local politicians’ opposition to the merger of their own municipality.

Evidence for practice

- In addition to vertical costs, such as reduced central control of policy delivery, decentralization also entails horizontal costs, manifested as local leaders neglecting the spillover effects that their decisions can have on other jurisdictions.
- Addressing the issue of “horizontal neglect” does not necessitate draconian and costly measures, such as centralizing authority or imposing cross-jurisdictional decision-making systems. Instead, a viable, and often overlooked, solution is to promote the activation of neighborly social norms among local leaders.
- Drawing from a study examining local elected officials’ attitudes towards overspending prior to municipal mergers, the article demonstrates that horizontal neglect can be significantly reduced by structuring decision-making situations in such a way as to remind leaders of their broader responsibilities.

INTRODUCTION

The decentralization of governmental authority is an essential aspect of modern state governance (Treisman, 2007). Decentralization can result in welfare improvements by tailoring public services to specific local needs, while also enhancing accountability through closer proximity between political leaders and voters (Oates, 1972). Having a fragmented local government tier allows citizens to choose a place where service and tax packages align with their preferences (Tiebout, 1956).

However, decentralization also presents challenges, not least in the vertical relationship between upper and lower levels of government. How can the upper level control spending and fiscal policies when authority has been decentralized to the lower level? In addition, how can national governments in vertically integrated unitary states ensure that local policies remain consistent with national goals, equity for example, across different parts of the country? These types of vertical problems have been studied extensively in relation to fiscal federalism (e.g., Boadway &

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Shah, 2009) and institutional collective action (e.g., Kim et al., 2022; Lee, 2021).

Another problem associated with decentralizing authority to a fragmented local tier is the horizontal aspect. The actions of one municipality can create inter-jurisdictional spillovers, that is, externalities that impact other municipalities. These effects can be positive or negative, but the issue at stake is that individual municipalities have no incentives to consider the benefits and costs to other municipalities emanating from their own actions. Services with positive spillovers (e.g., infrastructure investments that benefit a larger region and recreational facilities open to non-residents) are under-provided because the supplying municipality does not fully consider the gains for non-citizens when making decisions. By contrast, there is an over-provision of negative spillovers. Common examples include pollution, with the costs of local industry and production borne by residents outside the jurisdiction; zoning decisions that allow for the construction of wind turbines, incinerators, or sanitary landfills immediately adjacent to the municipal border; and financial decisions that have detrimental effects on other municipalities.

Managing these horizontal problems, also known as horizontal collective action dilemmas (Feiock, 2013), is challenging. Changing formal institutions may address horizontal neglect, but often at the cost of reducing the benefits of decentralization. One radical solution is to centralize government power, with a unified central authority taking interjurisdictional spillovers into account when making policy decisions. However, this would simultaneously eliminate the benefits of allocative efficiency and accountability. Another approach is to implement common decision systems, with municipalities making cooperative decisions (Tavares & Feiock, 2018). This can, however, be associated with high transaction costs. Horizontal problems are thus inherent to decentralization.

The focus of this study is informal institutions, as they can potentially reduce horizontal neglect while preserving the advantages of decentralization. Informal institutions do not constitute binding rules that would curtail the formal authority of local governments; they are rather social norms that may nevertheless influence local governments' behavior. Even a complete absence of formal rules does not imply that local politicians will completely disregard extra-jurisdictional effects. Informal institutions may still lead politicians to consider other jurisdictions to some extent when making decisions. The research question addressed is: Can informal institutions reduce horizontal neglect? In other words, our investigation concerns whether informal institutions have an influence on local authorities' disregard for spillover effects on other jurisdictions at the same level of government.

To test if this is the case, we examine a clear case of horizontal neglect: opportunistic overspending prior to municipal mergers (also known as consolidations or amalgamations). Whether it is voluntary or mandated, a

municipal merger provides an incentive for the merging entities to overspend on local goods in advance of the merger. This incentive arises out of an expectation that the original jurisdiction will retain most or all benefits for its current residents while sharing the costs with others in the merged entity (Blom-Hansen, 2010). By bequeathing debts and depleted coffers to the merged entity-to-be and thus limiting its post-merger spending possibilities, pre-merger overspending represents a negative spillover effect for other municipalities. Such opportunistic freeriding is an adverse consequence of local government mergers that has been consistently documented (Gendźwiłł et al., 2021; Reingewertz & Serritzlew, 2019; Tavares, 2018). This case facilitates measurement of the propensity for horizontal neglect by simply examining the support for pre-merger overspending among the members of the local authority's elected governing body. Given the strong incentive to overspend, the study represents a conservative test of the potential of informal institutions to mitigate horizontal neglect.

In the case of mergers, a range of informal institutions can impact fiscal behavior. For instance, it can be envisioned that norms emphasizing fiscal prudence would serve as a constraint against excessive spending, as overspending is viewed as wasteful and wrong. Additionally, local politicians may perceive a sense of obligation rooted in a norm of reciprocity, whereby jurisdictions consider the consequences for other jurisdictions, expecting the same behavior in return.

Our research emphasizes two crucial ways in which local politicians may feel obliged to avoid overspending prior to merging. Firstly, we examine social norms in relation to concerns for other jurisdictions, using survey questions measuring attitudes towards merging among Norwegian local councillors (i.e., members of the elected governing bodies of municipalities) and data from administrative registers pertaining to their first-hand experience of mergers. Secondly, we explore the impact of norms that require local politicians to take responsibility for broader political issues, using a survey experiment where councillors are primed with questions related to their broader political duties, including matters that extend beyond their own jurisdiction.

The findings indicate that horizontal neglect is more prevalent among local politicians operating under social norms that derive from their opposition to the merger of their own municipality. We also find that priming local politicians with reminders of their broader responsibilities reduces horizontal neglect. Further, we observe that priming reduces the overspending effect of anti-merger attitudes, but not the more robust norms arising from their experience of a forced merger. The conclusion discusses the role of informal institutions in shaping horizontal neglect beyond the pre-merger overspending situation, and the concomitant implications for decentralization and fiscal federalism.

THEORY: HORIZONTAL NEGLECT AND INFORMAL INSTITUTIONS

The literature on fiscal federalism suggests that the problem of horizontal neglect is rooted in externalities and incentives. An empowered local level of government facilitates decisions that align better with local preferences. However, these decisions often have effects that extend beyond municipal borders. This inherent imperfection in local government leads to “interjurisdictional spillovers,” (Boadway & Shah, 2009: 76), with some policies benefiting citizens outside the local political system and thus resulting in positive externalities and incentives for underprovision, and other policies harming those citizens and leading to negative externalities and incentives for overprovision.

Horizontal neglect, which refers to the disregard of other jurisdictions at the same governmental level, is neither a failure of local political systems nor caused by sub-optimal decisions. Instead, the fact that local politicians focus on their role as stewards of the local interest and, to some extent, ignore impacts on other jurisdictions constitutes a rational choice. However, it is unreasonable to assume that local decision-makers will completely neglect the consequences for citizens in other jurisdictions; rather, it is plausible that decision-makers will vary in their concern for other jurisdictions. Some may disregard these concerns entirely, influenced by electoral incentives, while others may feel at least some responsibility for spillovers onto other jurisdictions, influenced by considering the wider consequences of their decisions.

While research into institutional collective action (Kim et al., 2022; Lee, 2021; Tavares & Feiock, 2018) has primarily focused on resolving horizontal collective action dilemmas through formal institutions such as decision rules and organization, this study emphasizes the role of informal institutions. Formal institutions include explicit rules that prescribe which actions are “required, prohibited, or permitted” (Ostrom, 1986: 5), and what payoffs are assigned depending on actions (Ostrom, 1990: 51). By contrast, informal institutions do not involve explicit rules; using Scharpf’s vocabulary, we define informal institutions as “social norms that actors will generally respect and whose violation will be sanctioned by loss of reputation, social disapproval, withdrawal of cooperation and reward, or even ostracism” (Scharpf, 1997: 38). Firstly, we argue that social norms can overcome the rational incentive to ignore spillover effects, suggesting that local politicians who feel obligated to value the interests of citizens outside their jurisdiction will be less likely to engage in horizontal neglect. Secondly, we suggest that politicians’ concerns for other jurisdictions can be activated when they feel compelled to consider the broader ramifications of their decisions, which implies that social norms may make local politicians less inclined to engage in horizontal neglect when they are primed with questions and issues that remind them of their broader responsibilities.

BOX 1 Pre-merger overspending

Increased spending prior to a merger can be conceptualized as a common pool problem, that is, a problem that arises when the cost of an activity that benefits a small group is shared among a larger group (Ostrom, 1990). The new, merged unit represents a future pool of resources shared by the members of the merger consortium. A merger means that all the assets of all the consortium members are consolidated into this common pool. Local government units that are about to merge thus have the incentive to engage in pre-merger overspending—defined as a surge of last-minute spending before the finalization of the merger—which is intended to secure benefits for the citizens currently under their governance. Such spending can be allocated to capital expenditure that is not easily reversible (e.g., school buildings, roads, and swimming pools), as well as current operating expenses (e.g., salaries and service levels). The political and economic costs of repaying loans, rebuilding liquid assets, and re-establishing a fiscally sound operating balance are passed on to the new, amalgamated unit and thus shared with the citizenry of multiple original local government units.

Source: Hinnerich (2009) and Blom-Hansen (2010).

The notion that informal institutions can mitigate horizontal collective action dilemmas is not new. Elinor Ostrom has previously demonstrated that social norms have the capacity to overcome the rational incentive to deplete a common resource pool (Ostrom, 1990: 205). Public officials “decide the best they can in the presence of [...] confining normative and strategic considerations” (Cole & McGinnis, 2017: xxix, paraphrasing Ostrom). Additionally, public officials possess multiple identities that may dictate differing norms of appropriate behavior (March & Olsen, 2009).

Askim and Houlberg (2023) argue that economic policymaking during municipal amalgamations confronts local politicians with dilemmas that require selecting between identities with associated conflicting behavioral norms. In addressing this dilemma, local politicians engage in an intuitive or reflective “situational interpretation” (Poteete, 2015). They ask themselves: “What sort of situation is this? What kind of person am I? What actions are appropriate for someone like me in such a situation?” Local politicians are responsible for the consequences of their policy decisions, and they might feel accountable towards the citizens both inside and outside their jurisdiction.

In examining the idea that informal institutions can mitigate horizontal neglect, we formulate hypotheses concerning how social norms might overcome the incentive to overspend prior to a merger. Merging is a contentious issue, with some local politicians in favor and others opposed. However, once a merger has been decided, and irrespective of whether merging was voluntary or mandated, those local politicians who were opposed and those who were in favor have the same rational incentive to support freeriding on the amalgamated unit's pooled resources (see Box 1). It is nevertheless likely that the two groups will interpret the fiscal decision dilemma differently. Those against the merger are more inclined to perceive themselves as custodians of the interests of the current citizenry and, as a manifestation of horizontal neglect, view overspending as the appropriate course of action. Conversely, those in favor of the merger may adopt a broader perspective and feel bound by a social norm to safeguard the financial well-being of citizens beyond their jurisdiction. The hypothesis is as follows:

H1. Having a pre-established negative attitude to municipal mergers increases the likelihood of local politicians supporting pre-merger overspending.

Now consider that the desire for amalgamation may differ among municipalities. In some cases, amalgamation is something a municipality—as represented by its locally elected governing body—willingly pursues, while in other cases, it is something a municipality opposes but is coerced into undertaking by a nationwide reform. Previous research has faced difficulties in reconciling rational explanations with the empirical finding that pre-merger overspending tends to be higher in forced mergers than in voluntary mergers (Fritz & Feld, 2015; Saarimaa & Tukiainen, 2015). From a rational perspective, this seems strange, as the incentive to overspend is equally substantial in forced and voluntary mergers. Our expectation is that social norms provide the explanation for this discrepancy.

Although the rational incentive to overspend prior to merging is the same, local politicians' interpretations of the dilemma are likely to differ. Irrespective of their personal attitude to merging, external coercion may influence how local politicians balance the identities they hold within their repertoire. Local politicians who approach the dilemma after being forced into amalgamation should be more inclined to view freeriding on the amalgamated unit's resources as appropriate. They prioritize the interests of the current citizenry, resulting in horizontal neglect. By contrast, local politicians who confront the dilemma based on the municipality's aspiration for amalgamation will feel bound by a social norm to also protect the interests of citizens outside their jurisdiction. The hypothesis is that:

H2. Experiencing a forced municipal merger increases the likelihood of local politicians supporting pre-merger overspending.

Horizontal neglect can be reduced if politicians feel that they are bound by a social norm to take the broader implications of their decisions into account. This introduces a second approach to examining the potential that informal institutions have to mitigate horizontal neglect, namely that of priming decision-makers with broader political questions, activating social norms pertaining to concern for citizens outside of their jurisdiction.

As outlined earlier, local politicians are most inclined to endorse freeriding on the merged entity's pooled resources if they perceive themselves to be custodians of the citizenry's immediate interests. Conversely, if they view themselves as guardians of the citizenry's broader and more long-term interests, they are less likely to consider freeriding to be appropriate. Which of the two interpretations a local politician makes might depend on how the problem is presented or “framed”, with framing understood as “a message in which certain beliefs are activated and connected to a target object, making those beliefs appear particularly relevant” (Lindgren, 2022: 838). According to framing theory, “an issue can be viewed from a variety of perspectives and be construed as having implications for multiple values or considerations” (Chong & Druckman, 2007: 104). People may therefore react differently to a given choice depending on how it is presented, whether it is presented as a loss or a gain for example (Kahneman & Tversky, 1979).

In practical terms, there are various ways in which local politicians can be reminded of, or primed with, norms relating to their broader responsibilities. Discussions involving multiple or interconnected problems or issues can illustrate the fact that decisions cannot always be viewed in isolation. The involvement of a range of stakeholders can prompt consideration of broader interests. Media coverage can also lead local politicians to consider their decisions from a broader perspective. These priming effects suggest that the position of a decision on municipal council meetings' agendas can influence its significance. We make use of this aspect to test the relevance of priming politicians with broader responsibilities. If the overspending decision is placed at the end of the agenda, local politicians will have been primed with several other political issues, emphasizing broader responsibilities. Conversely, if the decision is located at the beginning, local politicians will not have been primed in this way. They will consequently be less inclined to support pre-merger overspending. The hypothesis regarding priming is therefore as follows:

H3. Local politicians are less likely to support pre-merger overspending if they are primed with reminders of their broader responsibilities prior to deciding on overspending.

Besides its direct effect, priming may also condition the impact of social norms on horizontal neglect. Previous research has demonstrated that norms and framing have

intertwined effects on individuals. For example, Chong & Druckman (2007: 111) argue that “individual predispositions such as values limit framing effects.” Whether or not local politicians take into account their decisions’ broader societal effects can be viewed as a variation in democratic values. Providing a treatment group with an experimental reminder of this value therefore offers an opportunity to test how social norms and priming can interact to mitigate horizontal neglect.

Research in social psychology regarding the alignment between attitudes and behavior has shown that certain attitudes exert a stronger influence on behaviors, voting for example, compared to others (Fazio & Zanna, 1981). According to Fazio & Zanna, the most robust attitudes are typically formed when individuals have access to a significant amount of information about the object on which the attitude is based, when the object holds a high level of importance to the individual, and when those attitudes are easily accessible from memory (Fazio & Zanna, 1981, p. 186–189). Baekgaard et al. (2021) have identified relevant personal experience as one of the strongest predictors of local politicians’ judgments and decisions in relation to a policy issue. Furthermore, judgments rooted in personal experience “can represent a counterweight” to the framing of a policy problem (Baekgaard et al., 2021: 193).

On this basis, we anticipate that norms associated with attitudes towards merging and those associated with direct personal experience of forced mergers will exhibit varying susceptibility to priming. It is likely that spending effects linked to attitudes towards merging are more malleable compared to the spending effects linked to having experienced a forced merger. The former relies on the local politician’s personal evaluation of whether he or she supports a merger. This is one political issue among many others, and, as with any issue, opinions on this matter can naturally differ among local politicians. Experiencing a forced merger is more dramatic. It implies that the amalgamation is imposed on the municipality by a draconian outside force in opposition to the collective rejection of the municipal council. Our hypothesis is that this difference between having a negative attitude toward a merger and having experienced a forced merger affects the relationship between priming and overspending.

In terms of attitudes to merging, our expectation is that the effect on spending is quite malleable to priming. In the absence of priming, local politicians will approach the spending dilemma with their negative attitude towards merging fresh in their minds. However, if subjected to priming, they will be reminded of the messy realm of perceived and actual problems, failures and successes within their municipal entity, thus placing them in a reflective mindset and potentially overshadowing the influence of their original attitude towards merging. We thus expect that:

H4. Priming reduces the effect on spending of social norms arising from a negative attitude to merging.

By contrast, a forced merger has characteristics that make it likely that local politicians will develop a robust attitude that is resistant to priming. For local politicians who have experienced a forced merger, a merger scenario will produce a general inclination to not consider extra-jurisdictional concerns, resulting in a strong perception of overspending as a legitimate form of protest against the forced merger. The spending effect associated with the trauma of having witnessed an undermining of their jurisdiction should thus be less malleable and concomitantly more persistent compared to an anti-merger attitude. The hypothesis is as follows:

H5. Priming does *not* reduce the effect on spending of a forced merger.

RESEARCH CONTEXT

Using pre-merger overspending among Norwegian municipal councillors as a test case allows us to examine horizontal neglect. This is a context in which many comparable jurisdictions have substantial opportunities to make decisions resulting in negative spillover effects on other jurisdictions at the same level of government. In addition, focusing on a single type of government within one country enables us to hold constant factors that can have an impact on how organizations approach mergers, for example, jurisdiction type, task portfolios, and governance structures and culture (Askim et al., 2020). Norwegian municipalities enjoy a high degree of fiscal autonomy and have a range of responsibilities, including primary education, outpatient health services, senior citizen services, social services, zoning, economic development, and municipal roads.

The highest municipal governing body is the council, composed of between 11 and 67 councillors, who are directly elected by residents every 4 years and who hold decision-making power in areas including economic policy. A council majority holds decisive power in economic matters, which means that all councillors are directly involved in budgeting and fiscal planning.

The survey data for the empirical analysis (see next section) was collected in 2018 during a national amalgamation reform. The minority conservative government that took office in 2013 aimed to reduce the number of local governments and to boost the quality of service delivery, expand the territorial scope for planning, ensure correct exercise of legal authority, and allow reduced central government supervision. Improved cost efficiency and effective allocation were not explicit reform objectives (Klausen et al., 2021). In 2014, the central government directed all of Norway’s then 428 municipalities to consider merging with other municipalities in their region, to consult citizens, and to hold a council vote by 2016 to decide on whether they wanted to be part of a merger. Consequently, all municipalities faced potential

merger scenarios. At the time of the survey, the national parliament had approved the government's reform proposal, and all councillors knew whether their municipality was going to be merged in 2020 and, if such was the case, whether the merger would be voluntary (i.e., in accordance with the municipal council's vote) or forced upon them (i.e., against the municipal council's vote). It had been known since 2014 that the parliament was willing to use force if too few municipalities merged voluntarily. In 2017, the government obtained parliamentary support to coerce 36 municipalities to merge into 11 new units. Additionally, 85 municipalities voluntarily amalgamated into 36 new units (Klausen et al., 2021: 119). The reform resulted in the number of municipalities decreasing from 428 in 2016 to 356 in 2020.

The municipal councillors who responded to the survey had thus either dealt with or were dealing with fiscal decisions in the context of a merger when the survey was conducted. The survey data therefore possesses a high level of ecological validity since the survey questions approximated the respondents' real-time decision-making context.

METHODS

We utilize a data set for the survey of municipal councillors combined with data from administrative registers at Statistics Norway on municipality-level population size, fiscal situation, and merger status. The online survey was emailed in 2018 to all municipal councillors in Norway's then 428 municipalities. The survey's study population consisted of 8450 councillors, with 3212 (38%) completing the survey items used in this article. There are no notable differences between the respondents and the total population of Norwegian municipal councillors based on political party affiliation, geography, age, or gender (Folkestad, 2018: 7–9).

The survey included a vignette survey experiment with a 2×2 factorial design (see Appendix 1). Vignette experiments are well-suited for testing the effects on actual behavior of personal attitudes, judgments, beliefs, and norms (Jilke & Van Ryzin, 2017; Migchelbrink & van de Walle, 2019). The experiment tested the effects of the source of financing and partner behavior (i.e., the prospective merging units) on the likelihood of a councillor supporting pre-merger overspending (see Askim & Houlberg, 2023). The councillors were asked whether they would recommend voting yes or no to a pre-merger investment in a sports center in a hypothetical merger scenario. We use the councillors voting yes or no in this hypothetical scenario as our dependent variable. There should be a high level of ecological validity for this scenario as expediting investments in sports centers was on the agenda in local merger discussions in Norway (Askim & Houlberg, 2023).

However, this article's main interest is not the 2×2 survey experiment itself (designated hereafter: the basic

survey experiment), but how support for pre-merger overspending is affected by social norms as measured by attitudes to mergers, experience of forced mergers, and priming. Below, we first explain how the three variables of interest are measured and subsequently account for the control variables included.

Regarding Hypotheses 1 and 2, we measure respondents' attitude to merging through a survey item asking whether they voted for or against amalgamating their municipality (all councils voted on this between 2014 and 2016; see Section 3). Information about whether the respondent's municipality was forcedly merged, voluntarily merged, or not merged at all is derived from register data.

Regarding Hypothesis 3 on priming, we rely on a standard priming survey experiment. The respondents were randomly split into two equally sized groups. As illustrated in Table 1, group 1 was given a version of the survey with the vignette question concerning the spending dilemma (the basic survey experiment) located in the first part of the survey. Group 2 was given a version with the vignette question located at the end, thus *after* they were primed with 27 questions on municipal amalgamation, local political culture, citizen participation, political-administrative relations, and political representation.

To control for potential ideologically driven spending, we include a dummy variable for the respondents representing a left-leaning political party (from survey data). From register data, we include municipal-level control variables for population size, wealth, liquidity, and debt. See Appendix 3 for descriptive statistics.

As our dependent variable—voting yes or no to a pre-merger investment in a sports center—is a dummy variable, we use logistic regression to test whether merger attitude, forced merger experience, and priming affect the likelihood of supporting overspending.

RESULTS

Table 2 shows the results of the logistic regressions of the likelihood of municipal councillors supporting pre-merger overspending. The top section of the table shows the results of the basic survey experiment, that is, the estimated treatment effects of source of financing and expectations of amalgamation partners' overspending behavior (T1–T4). The results match the findings of Askim and Houlberg (2023): councillors' support for overspending is lower when overspending is debt-financed rather than savings-financed, as well as when it is anticipated that other parties in the amalgamation will not overspend. However, this is not our concern here.

Model 1 tests Hypotheses H1–H3. First, the results show that the willingness to spend big is higher among anti-merger councillors than among those who are pro-merger (H1). Second, spending is higher among councillors in forcibly merged municipalities than among those

TABLE 1 Survey structure.

Section	Questions	Split-ballot group	
		Group 1 (no priming)	Group 2 (priming)
1	13 background questions (e.g., age, gender, occupation, political experience, and positions)	X	X
2	10 questions about everyday work of a local councillor (e.g., agenda setting and contact patterns)	X	X
v1	The vignette question	X	
3	16 questions about municipal amalgamation	X	X
4	11 questions about the local political culture, citizen participation, political-administrative relations, and political representation	X	X
v2	The vignette question		X

Note: For specific wording of the questions, see Appendix 2.

in municipalities that merged voluntarily (H2). Councillors in voluntarily merged municipalities are also less inclined to spend than those in unmerged municipalities. As the hypothesis suggests, councillors undergoing a forced merger are most likely to support overspending.¹ Third, model 1 tests whether councillors' likelihood of supporting overspending is affected by priming (H3). As the hypothesis suggests, the results show that spending is lower overall when the question is located after the priming with 27 questions about broader concerns, such as municipal amalgamation, local political culture, citizen participation, political-administrative relations, and political representation. Councillors primed with these questions apparently engage with the spending dilemma with a more reflective mindset that reminds them of their broader responsibilities towards the citizenry. The findings in model 1 thus confirm both H1–H3.

Models 2–5 test Hypotheses 4 and 5, that is, interaction effects between priming on the one hand and attitudes to merging and experience of forced merger on the other. First, as predicted in Hypothesis 4, the significant interaction in model 2 shows that the positive effect on spending of anti-merger attitudes is *reduced* when councillors are primed with broader responsibilities. Second, and consistent with Hypothesis 5, the insignificant interaction in model 3 shows that the positive effect on spending of having experienced a forced merger is *not* affected by priming. Third, model 4 includes interactions for both merger attitude and merger experience and confirms the findings of models 2 and 3: the effect on overspending of attitudes to merging is affected by priming; the effect of having experienced a forced merger is not.

Finally, model 5 includes individual- and municipal-level controls. Two of these are significant. First, support for overspending is higher among councillors representing left-wing parties than among those representing right-wing parties, probably reflecting different attitudes to government expenditure more generally. Second, support for overspending is lower among councillors from larger municipalities than among those from smaller ones, which probably reflects the fact that larger partners in a merger have a weaker incentive to overspend (Hinnerich, 2009). More important for the present analysis is that the statistical and substantive significance of the estimates related to H1–H5 are not systematically affected by the inclusion of controls.

A number of robustness tests have been conducted. First, in a supplemental analysis of the results' robustness in alternative model specifications, we tested whether there are interacting effects between merger attitudes and experience of forced merger. This is not the case. Second, we tested whether merger attitudes, priming, and the interplay between the two, had different effects on the treatment groups in the basic experiment (T1–T4). This is not the case. Merger attitudes and priming thus do not bias the estimated treatment effects in the basic survey experiment concerning the source of financing and the anticipated spending of merger partners. Third, we added a control for habitation patterns to test whether the level of habitation affects pre-merger overspending and whether the effect of priming is influenced by that level (see Appendix 4). Neither is the case.

Figures 1 and 2 illustrate the interaction effects in model 5 of Table 2.

Figure 1 illustrates the fact that councillors who oppose their own municipality being merged (dashed line) are more likely to support overspending than those in favor of a merger (solid line). The effect is statistically significant irrespective of priming. However, the downward slope of the dashed line illustrates that the effect of an anti-merger attitude is reduced when councillors are primed with political questions about broader responsibilities. The solid line's flat slope illustrates that the likelihood of pro-merger councillors' supporting overspending is unaffected by priming.

Figure 2 illustrates the fact that the overspending effect of having experienced a forced merger (dotted line) is *not* affected by priming. Though the effect on spending of having undergone a forced merger is not conditioned by priming, recall—from model 1 in table 5—that experience of a forced merger does increase the likelihood of supporting overspending.

CONCLUDING DISCUSSION

Decentralization of authority to lower tiers of government has significant potential, for both economic and democratic reasons. However, decentralization also causes

TABLE 2 Logistic regression of support for pre-merger overspending.

	(1)	(2)	(3)	(4)	(5)
	No interactions	Interaction for attitude	Interaction for merger experience	Interaction for attitude and merger experience	Interactions and controls
Basic survey experiment (ref. = control group)					
T1 (savings-financing, others will overspend)	0.14 (0.11)	0.15 (0.11)	0.14 (0.11)	0.14 (0.12)	0.14 (0.12)
T2 (savings-financing, others will not overspend)	-0.03 (0.11)	-0.03 (0.11)	-0.03 (0.11)	-0.03 (0.11)	-0.03 (0.12)
T3 (debt-financing, others will overspend)	-0.24** (0.12)	-0.24** (0.12)	-0.24** (0.12)	-0.24** (0.12)	-0.26** (0.12)
T4 (debt-financing, others will not overspend)	-0.38*** (0.11)	-0.37*** (0.11)	-0.38*** (0.11)	-0.37*** (0.11)	-0.39*** (0.12)
Attitude towards merger (ref. = in favor of local merger)					
Opposed to local merger	0.69*** (0.09)	0.84*** (0.12)	0.69*** (0.09)	0.86*** (0.12)	0.73*** (0.12)
Merger experience (ref. = voluntary merger)					
Not merged	0.29*** (0.11)	0.29*** (0.11)	0.23* (0.14)	0.19 (0.14)	0.14 (0.14)
Forced merger	0.69*** (0.25)	0.69*** (0.24)	0.62* (0.37)	0.58 (0.37)	0.47 (0.39)
Priming					
Primed with 27 questions on other issues	-0.14** (0.07)	-0.02 (0.10)	-0.23 (0.05)	-0.15 (0.16)	-0.14 (0.16)
Interactions					
Attitude towards merger					
Opposed to merger # Primed		-0.30** (0.15)		-0.35** (0.15)	-0.35** (0.15)
Merger experience					
Not merged # Primed			0.12 (0.17)	0.22 (0.18)	0.22 (0.18)
Forced merger # Primed			0.14 (0.46)	0.22 (0.45)	0.17 (0.45)
Individual-level control for party affiliation					
Left-wing Party					0.19** (0.08)
Municipal-level controls					
Population (ln)					-0.21*** (0.06)
Wealth per capita					-0.00 (0.00)
Liquid assets per capita					0.00 (0.00)
Long-term debt per capita					0.00 (0.00)
Constant	-0.14 (0.11)	-0.21 (0.12)	-0.09 (0.11)	-0.14 (0.12)	1.89** (0.88)
Observations	3175	3175	3175	3175	3173
Pseudo R^2 (McFadden)	.035	.036	.035	.037	.049

Note: Robust standard errors in parentheses (clustered at each municipality).

*** $p < .01$, ** $p < .05$, * $p < .1$.

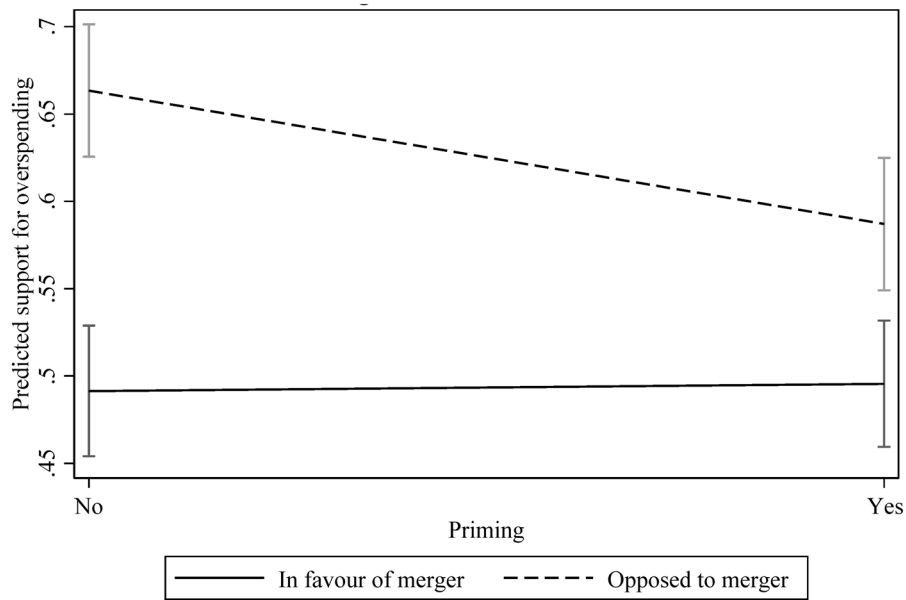


FIGURE 1 Predictive margins for attitude to merger and priming (with 95% CIs).

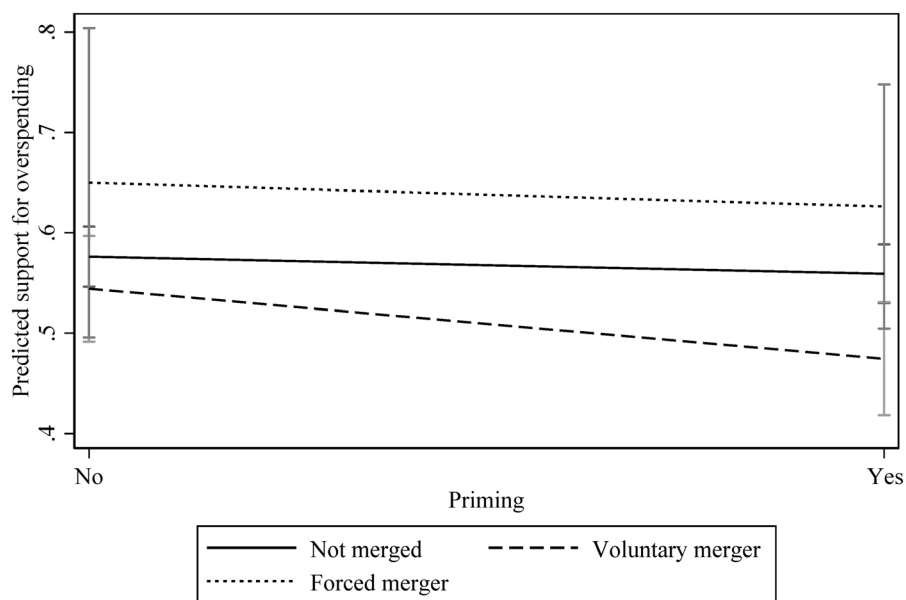


FIGURE 2 Predictive margins for merger experience and priming (with 95% CIs).

problems. Vertical problems pertain to central control of local policy while horizontal problems are related to externalities. The existing literature has largely focused on two radical solutions to horizontal problems, both representing formal institutional remedies and both being most relevant in vertically integrated unitary states. One is the centralization of government authority, which undermines the benefits of decentralization; the other is the establishment of common decision systems, which incurs high transaction costs.

This study views the horizontal problem of decentralization as a matter of degree. Local jurisdictions

sometimes disregard their surroundings, while at other times they do consider the effects on other jurisdictions at the same level of government, be they adverse or beneficial. The study has labeled the disregard of spillovers on other jurisdictions as “horizontal neglect” and asks when and why decision-makers engage in it. The theoretical argument is that horizontal neglect can be mitigated by informal institutions, encompassing social norms of cooperation and the priming of decision-makers with their broader responsibilities.

Based on a survey of Norwegian municipal councillors, the results showed that having a pre-established negative

attitude towards municipal mergers and undergoing a forced merger increase the likelihood of horizontal neglect. Despite the fact that they do not alter the incentives faced by decision-makers, these attitudes have an influence on whether councillors perceive themselves to be stewards of the citizenry's current interests or of broader inter- and extra-jurisdictional interests.

In addition, an experiment embedded in the survey showed that priming local politicians with other, broader concerns reduces horizontal neglect. It can be inferred from this that horizontal neglect is affected by how local politicians construct the decision: considering broader political issues and interests makes them less likely to engage in neglect, whereas a narrower focus increases the likelihood of disregarding extra-jurisdictional interests. Moreover, some norms are more robust than others. Priming reduces the effect on spending of norms associated with a negative attitude towards merging, but not those associated with having experienced a forced merger.

The broader message conveyed is that the horizontal costs of decentralization depend on informal institutions at the local level. In line with Scharpf's (1997) definition, we understand informal institutions as generally shared social norms, the violation of which is socially sanctioned. These social norms can take many forms and are likely to be different from those we have studied here in contexts other than municipal mergers. Nevertheless, the impact of informal institutions underscores the relevance of political culture, trust, and polarization. When considering generalizability beyond the research context, it can be assumed that the costs of decentralization might be most manageable in political systems characterized by a culture of cooperation, a high level of trust, and a low degree of polarization. These factors are likely to influence the willingness of local officials to consider the interests of non-constituents and to have a sense of responsibility for the broader implications of decisions.

The behavioral effect of priming local politicians with reminders of their wider responsibilities may vary depending on the situation. An important feature of mergers is that local politicians, and likewise their constituents, will be part of the consolidated jurisdiction in the future and will have to share the costs of repairing the damage inflicted by excessive pre-merger overspending (while keeping all or most of the concurrent benefits). In other cases of horizontal neglect, such as zoning decisions that locate noxious landfills and polluting industry on the jurisdiction's borders, there is no common future of cost sharing, which should make local politicians less responsive to being primed with reminders of their wider responsibilities.

Whether informal institutions can mitigate horizontal neglect in cases beyond municipal mergers remains an empirical question requiring future research. However, it is reasonable to expect that informal institutions will play a role in numerous horizontal collective action dilemma,

as the pre-merger overspending case represents a conservative test due to the strong and well-documented incentive to "freeride" in this situation. A classic example is financial decisions in fiscal federalism (Boadway & Shah, 2009: 38). Tax exporting can occur when it is possible to design taxes in ways that burden non-citizens. Likewise, tax competition becomes an issue when corporate taxes are cut in order to compete with neighboring jurisdictions. Both are examples of horizontal neglect, and formal arrangements can alleviate them by imposing central control over certain types of taxes. However, this comes at the cost of less decentralization. Based on our results, we would expect it also to be possible to alleviate horizontal neglect through informal institutions. For example, it may well be possible that groups of municipalities can uphold a norm of not cutting corporate taxes in order to compete for business.

Another prominent example is pollution, where the costs of local industry and production are shared by residents outside the jurisdiction. Zoning decisions allowing for the construction of facilities such as wind turbines, incinerators, or sanitary landfills present similar collective action dilemmas. Horizontal neglect would imply that such facilities are placed at municipal borders. Formal institutions may alleviate the problem by centralizing zoning decisions. We would conjecture that informal institutions can also work. For example, it is entirely possible that political decision-makers would view the location of polluting facilities on borders as a violation of a social norm of not exporting problems, and that such a social norm is shared among neighboring jurisdictions.

Consequently, efforts to nurture social norms of mutual consideration of each other's interests are valuable, for example, through facilitating meetings between local leaders and fostering cooperation between municipalities. Another practical implication is that structuring decision-making situations in a manner that reminds leaders of the broader consequences of the decisions may also decrease horizontal neglect. In practice, this could be achieved by consulting municipalities affected before making decisions with major externalities.

This study has only examined a limited selection of informal institutions. Developing a more comprehensive understanding of the relationship between informal institutions and horizontal neglect would require research into other types of informal institutions. For example, differences in the size of the merging units might not only create different rational incentives for pre-merger overspending, as suggested by Hinnerich (2009), but might also activate different norms of appropriate fiscal behavior between decision-makers in large "absorbing" units and those in small "absorbed" units. Additionally, the career aspirations of local politicians may impact their tendency to disregard negative, extra-jurisdictional spillovers, although thus far evidence is mixed (Hansen, 2019). Finally, a study from Switzerland demonstrates that local enthusiasm for interjurisdictional

cooperation can be fostered through intensive social contacts among inhabitants, such as cross-border memberships in sports clubs, cultural events, and recreational facilities (Steiner, 2003: 551).

These caveats notwithstanding, the overall conclusion is that the costs of decentralization can be mitigated not only through formal, hard institutional methods, but also through frequently overlooked informal, soft measures, ones that address decision-makers' concerns or neglect of jurisdictions at the same horizontal level of government.

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ENDNOTE

¹ A switch of the reference category shows that spending support is also significantly higher in municipalities that have been forced to merge than in non-merged municipalities.

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APPENDIX 1: THE FOUR VIGNETTES

For more information, see Askim & Houlberg (2023).

“Please read the situation description and answer the question below. Four municipalities will be amalgamated in 2020. Imagine that you are elected as a councillor in one of them and that the budget proposal for 2019 causes debate: It contains a proposal to bring forward the building of a sports center. According to the municipality’s existing investment plan, the sports center is to be built in 2021, but now the proposition is that the council decide to finance the project in 2019 instead. Some are of the opinion that it is now or never, because this sports center is unlikely to be prioritized by the new, amalgamated municipality. The sports center will be financed with <municipal savings/a loan>. There are <strong indications/no indications> that other municipalities in the amalgamation have similar plans to bring forward the realization of some of their investment plans. Your party’s votes will decide whether or not the investment proposition is approved in the council. Will you recommend that your party vote for the proposal? [Yes; No]”.

Illustration of the Survey Experiment.

		Financing	
		Savings	Loans
Expectation of overspending behavior by others in the amalgamation	Others will overspend	T1	T3
	Others will not overspend	T2	T4

In addition to the 2 × 2 treatment groups, the experiment contained a control group that received no information regarding financing and expected partner behavior.

APPENDIX 2: SURVEY QUESTIONS AND ETHICAL STATEMENT

Ethical statement

The survey was sent to municipal councillors in Norwegian municipalities. No deception was used in the study. There was no payment, and participation was entirely voluntary. The participant pool reflects the elected Norwegian municipal councillors. The participants are generally resourceful and not vulnerable. All data collected was anonymized, and no sensitive information was collected.

For original Norwegian formulations and additional details about the survey, see Folkestad (2018).

Background questions [items 1–13]

Keywords: Re-election ambition; tenure in the council; tenure as party member; current positions in the council; year of birth; gender; education; occupation.

Questions about daily work as a local councillor [items 14–23]

[14–15] Please state your level of agreement with the following statements (5-point Likert scale): I contribute to setting the local political agenda; I contribute to finding solutions to the municipality’s problems.

[16–19] Please state your level of agreement with the following statements (5-point Likert scale): I find it easy to mobilize support for policy proposals from: the party group; my municipal subcommittee; the municipal council; the local community.

[20–24] How frequently are you in contact with the following groups about municipal policies (daily, weekly, monthly, yearly, or more seldom): Politicians from my own party; politicians from other parties; the municipal administration; citizens.

Vignette question for split-ballot group 1 (see Appendix 1 for wording)

Questions about amalgamation [items 24–40]

[24–28] How much emphasis was placed [5-point scale] on the following topics in the debate about amalgamation in your municipality? Municipal economy; service production; local democracy; sense of belonging; opportunities for local employment.

[29] On which of these topics did you place the most emphasis when the question about amalgamation was up for decision? Municipal economy, service production; local democracy; sense of belonging; local employment.

[30] What was your opinion about amalgamation when the matter was up for a vote in the council? Did you want your municipality to be merged with one or more neighboring municipalities? (Yes, No).

[31–36] Please state your level of agreement with the following statements (5-point Likert scale):

- Citizens of small municipalities have greater opportunities to influence the council’s decisions than citizens of smaller municipalities.
- Larger municipalities are better than smaller ones at satisfying citizens’ needs.
- In this municipality, it is expected that as councillors we are in continuous dialogue with the citizens about how to shape municipal policy.
- Overall I am content with the way the municipal government handles the challenges facing this local society.
- This municipality uses the opportunities for local adaptations of national policies beneficially.
- This municipality has a strong sense of common purpose.

[37–38] Are there specific plans to strengthen or preserve the local democracy in your municipality? (Yes, no, don’t know); If yes, what is planned? (open-ended).

[39–49] To municipalities that will be amalgamated: Are there specific plans to strengthen or preserve local democracy in the new, merged municipality? (Yes, no, don’t know); If yes, what is planned? (open-ended).

Questions about the local political culture etc. [items 41–51]

[41–42] How would you characterize your municipality's political culture? Indicate your agreement with the following statements by marking 1 to 10, where:

- 1 means that local councillors pursue the common good, and 10 means that they serve special interests.
- 1 means that local councillors settle problems in formal representative arenas, and 10 means that they negotiate and build alliances outside representative arenas.

[43–48] On citizen participation in policymaking: Indicate your agreement with the following statements by marking 1 to 10, where:

- 1 means that all citizens should be invited, and 10 means that the municipality should be free to invite selected groups when initiating citizen participation.
- 1 means that councillors should be free to decide whether to take account of citizen input when making decisions, and 10 means that they should always take account of citizen input.
- 1 means that the municipality should avoid citizen participation when deciding on conflictual issues, and 10 means that they should facilitate citizen participation on such issues.

- 1 means that the municipality should always publish minutes from citizen participation events, and 10 means that it should be free to not do so.
- 1 means that citizen participation is worthless, and 10 means that it is still valuable if it does not give the participants a better understanding of how local democracy works,
- 1 means that it is always important to involve citizens in policymaking, and 10 means that it is rarely important to do so.

[49] On the division of roles between politicians and bureaucrats: Indicate your agreement with the following statements by marking 1 to 10, where 1 means that the elected politicians dominate and 10 means that the bureaucratic top executive dominates the municipality's policymaking.

[50–51] As a councillor, do you feel a particular responsibility to represent one or more of the following groups? (Women, a vocational group, outsiders, your village, immigrants, young citizens, older citizens, no specific group). Do other politicians or citizens expect that you represent one or more groups? (Same options).

Vignette question for split-ballot group 2 (see Appendix 1 for wording)

A. Variables of interest

	Share of respondents (percentage)		
	All respondents	Split-ballot group 1 (no priming)	Split-ballot group 2 (priming)
Will you recommend that your party votes for the proposal to bring forward the building of a sports center?			
Yes	55.39	57.24	53.52
No	44.61	42.76	46.49
Total	100.00 (N = 3212)	100.00 (N = 1616)	100.00** (N = 1596)
Attitude towards local merger			
Opposed to local merger	45.61	46.76	44.44
In favor of local merger	54.39	53.24	55.56
Total	100.00 (N = 3175)	100.00 (N = 1591)	100.00 (N = 1584)
Merger experience			
Not merged	69.83	69.55	70.11
Voluntary merger	27.80	28.09	27.51
Forced merger	2.37	2.35	2.38
Total	100.00 (N = 3212)	100.00 (N = 1616)	100.00 (N = 1596)
Priming			
No	50.31		
Yes	49.69		
Total (N = 3212)	100.00		

APPENDIX 3: DESCRIPTIVE STATISTICS

Chi² test of difference between the two split-ballot groups: *** $p < .01$, ** $p < .05$, * $p < .1$.

T-test of difference in means between the two split-ballot groups (two-tailed): *** $p < .01$, ** $p < .05$, * $p < .1$.

B. Control variables					
	N	Mean	Std. dev.	Min.	Max.
Left-wing party	3212	.5691	.4955	0	1
Population (ln)	3212	9.059	1.267	5.338	13.420
Wealth per capita	3212	59,819	10,597	34,663	171,434
Liquid assets per capita	3212	10,422	10,669	-4111.4	151,326
Long-term debt per capita	3212	99,036	31,132	27,870	280,042
Comparison of means	All respondents	Split-ballot group 1 (no priming)		Split-ballot group 2 (priming)	
Left-wing party	0.5691	0.5705		0.5677	
Population (ln)	9.059	9.037		9.082	
Wealth per capita	59,819	60,121		59,513*	
Liquid assets per capita	10,422	10,629		10,222	
Long-term debt per capita	99,036	99,480		98,587	

APPENDIX 4: SUPPLEMENTAL ANALYSIS WITH CONTROL FOR HABITATION PATTERNS

Note: Robust standard errors in parentheses (clustered at each municipality).

^aThe structural criteria are an indicator of habitation patterns and is measured by the average travel distance (in kilometers) per citizen in a municipality to reach 5000 citizens.

*** $p < .01$, ** $p < .05$, * $p < .1$.

	(6)	(7)
	Interactions and controls plus structural criteria^a	Interactions and controls plus structural criteria and interaction for structural criteria^a
Basic survey experiment (ref. = control group)		
T1 (savings-financing, others will overspend)	0.14 (0.12)	0.14 (0.12)
T2 (savings-financing, others will not overspend)	-0.03 (0.12)	-0.03 (0.12)
T3 (debt-financing, others will overspend)	-0.26** (0.12)	-0.26** (0.12)
T4 (debt-financing, others will not overspend)	-0.40*** (0.12)	-0.40*** (0.12)
Attitude towards merger (ref. = in favor of local merger)		
Opposed to local merger	0.74*** (0.12)	0.74*** (0.12)
Merger experience (ref. = voluntary merger)		
Not merged	0.14	0.14

(Continues)

	(6)	(7)
	Interactions and controls plus structural criteria ^a	Interactions and controls plus structural criteria and interaction for structural criteria ^a
	(0.14)	(0.14)
Forced merger	0.48	0.48
	(0.38)	(0.38)
Priming		
Primed with 27 questions on other issues	-0.14	-0.14
	(0.16)	(0.16)
Interactions		
Attitude towards merger		
Opposed to merger # Primed	-0.36**	-0.36**
	(0.15)	(0.15)
Merger experience		
Not merged # Primed	0.22	0.22
	(0.18)	(0.18)
Forced merger # Primed	0.18	0.18
	(0.45)	(0.45)
Structural criteria		
Structural criteria # Primed		0.00
		(0.00)
Individual-level control for party affiliation		
Left-wing party	0.19**	0.19**
	(0.08)	(0.08)
Municipal level controls		
Population (ln)	-0.21***	-0.21***
	(0.06)	(0.06)
Wealth per capita	-0.00	-0.00
	(0.00)	(0.00)
Liquid assets per capita	0.00	0.00
	(0.00)	(0.00)
Long-term debt per capita	0.00	0.00
	(0.00)	(0.00)
Structural criteria	-0.00	-0.00
	(0.00)	(0.00)
Constant	1.89**	1.80**
	(0.88)	(0.90)
Observations	3169	3169
Pseudo R^2 (McFadden)	.049	.049