INTRODUCTION

The potential for regional cooperation among governments in metropolitan areas has captured tremendous interest. Concerns about the organization of local government in metropolitan areas have produced some of the most important and enduring debates in urban politics, planning, and public administration. In the last decade of renewed interest in institutions and decentralized governance in politics has coincided with the rise of the “new regionalism” movement (Downs 1994; Brookings Institution 2002).

In some metropolitan areas it has been possible for fragmented local governments to cooperate to address metropolitan issues such as service delivery problems, economic development, and growth management. Cooperation among local governments is not uncommon and local governments share information and jointly respond to emergencies as well as deliver routine services (Friesema, 1970; Ostrom, Bish and Ostrom, 1988; Post, 2002). Collaboration through functional consolidations provide a decentralized regionalism comprised of networks of horizontal agreements, as well as functionally and geographically defined overlays of nested service units (Park and Oakerson, 1989; Feiock and Carr, 2001; Thurmaier & Wood, 2004; Oakerson, 2004).

Local governments can also act collectively to create “a metropolitan civil society” that integrates multiple jurisdictions through voluntary agreements and associations (Oakerson, 1999: 104). Rather than the traditional prescription for centralization and governmental consolidations, decentralized regionalism entails cooperation
and competition among governmental units in urban metropolitan areas through horizontally and vertically linked organizations (Stephens and Wickstron, 1999; Feiock, 2004).

The necessity of addressing pressing regional problems has driven renewed calls for metropolitan reform. Decentralized units of government are typically assumed to be unable to deal with regional issues and concerns (Rusk, 1995; Downs, 1994). This position is countered by advancing the proposition that a decentralized system of governments can simultaneously produce the benefits of competition and cooperation. An institutional collective action (ICA) framework (Feiock and Tao, 2002; Feiock, 2004; Bickers and Stein, 2004) is applied to investigate the formations of regional development partnerships by local governments. Patterns of regional partnership formations are estimated based on a model that includes endogenous and exogenous forms of social capital. The results provide evidence that cooperative norms that develop among local governments in metropolitan areas as a result of experiences with interlocal agreements predict the formation of regional economic development partnerships. This institutional level cognitive form of social capital enhances the ability of local governments to overcome institutional collective action problems in a fragmented metropolitan area. It is concluded that social capital fostered by local interactions and agreements encourages exchange of commitments and reinforces norms of reciprocity to facilitate regional cooperation.

**REGIONAL GOVERNANCE AND REGIONAL PARTNERSHIP**

Metropolitan areas are characterized by externalities, economic spillovers and dependencies between central cities and suburbs. As suburbs have aged, the political affiliations more closely resemble those of the central cities they surround, challenging the conventional assumption that suburban cities can be counted on as enclaves for those escaping big city problems. The findings also suggest that shifts in political alliances make regional coordination more palatable than once thought (Gainesborough, 2001; Orfield, 2002). In both rural and urban areas top down solutions have increasingly been replaced by voluntary cooperation among governments and public-private, along with intercommunity partnerships (Cigler, 1999; Feiock, 2004).

An increasingly popular regional governance strategy is the regional development partnership. Development partnerships are an “alliance formed by local governments, often with the help of private sector firms and nonprofit organizations, which has a mission of enhancing the economy of a multi-jurisdictional area” (Olberding, 2002b: 253). Partnerships are multilateral contractual arrangements and the scope of actions these partnerships take on varies tremendously. Almost all engage in regional promotion and information provisions to prospective business. Some coordinate other local development activities and a few restrict incentives or include non-competition provisions. The financial contributions of local governments to the organization are rather modest and primarily support marketing efforts. For example, in the Milwaukee area most local governments participate in and contribute to development efforts of the Milwaukee Regional Economic Partnership. Nevertheless, the organization has adopted a “fair competition” policy in which they agree to inform the development office in a neighboring jurisdiction is a firm presently located in that jurisdiction inquires about location incentives. Moreover, recent work reports agreements to share the costs and benefits of growth promotion among governments in a metropolitan area are not as uncommon as one believed (Park and Feiock, 2002; Gillette, 2000).

**TRANSACTION COST AND COLLECTIVE ACTION**

Transaction cost theories of institutional change (Eggertsson, 1990; Libecap, 1989; North, 1990) maintain that cooperation will be forthcoming when the benefits outweigh the transaction costs of negotiating monitoring, and enforcing agreements (Hackathorn and Maser, 1987). New institutions emerge as the result of a dynamic political contracting process among local government units facing a collective action problem (Eggertsson, 1990; Ostrom, 1990; Lubell et al., 2002). Transaction costs are minimized when the structure of the governance institution is congruent with the structure of the collective-action problem (Heckathorn and Maser, 1987; North, 1990). Cooperative intergovernmental arrangements should reduce transaction costs to the extent the collaborative governing style is better suited than the consolidation model to the complex, diffuse, and boundary-spanning nature of urban problems. Theoretical and empirical work substantiates that