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Reform or Resistance? Local Government Responses to State- Mandated Ethics Reform in Kentucky

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Although several studies have examined state and federal regulation of political corruption and ethics reform, few studies have extended their focus to local governments. In this study, we examine the local government response to state-mandated ethics reform in Kentucky during the 1990s. Based on a quantitative analysis of local government ethics codes in 288 cities, we conclude that local compliance with state-mandated ethics reform has been largely driven by local political factors. Cities with relatively developed democratic institutions, characterized by high levels of electoral competition and a strong media presence, were significantly more likely to construct strict ethics ordinances, as were cities reflecting moralistic political cultural values.

As portrayed widely in the print and electronic media, there appears to be a profound crisis of public confidence in all governments—national, state, and local.¹ According to recent statistics, public cynicism may be well justified. Between 1970 and 1991, the number of state and local officials convicted on federal corruption charges increased more than tenfold.² Public concern has been especially pronounced in a handful of states, where highly publicized FBI stings (e.g., South Carolina in 1990-1991, Arizona in 1991, California in 1991, and Kentucky in 1992) resulted in indictments and convictions of state legislators, administrators, and lobbyists on charges of extortion and racketeering.³

In addition to violating the trust of the electorate, unethical behavior by government officials can have deleterious effects on democratic governance. Corrupt or unethical behavior by elected officials might discourage citizen

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¹Michael Josephson, "The Best of Times, the Worst of Times," *Spectrum* (Fall 1992): 34-41.

²Common Cause, "State Issue Brief: Conflict-of-Interest Legislation," (Common Cause: Washington, DC, 1994), 2.

³Josephson, "The Best of Times, the Worst of Times," 34-41.

participation because some citizens will not wish to be associated with malfeasance. Perhaps of equal concern, the quality of candidates for office might suffer because the most highly qualified individuals might shun public service if the government is viewed as corrupt.⁴

As a result, in recent years many states have either updated ethics legislation or enacted new codes in efforts to curb corruption and restore public confidence in government.⁵ Among the many areas addressed by state governments have been standards of conduct, personal financial disclosure, and the definition of conflicts of interest.⁶ Although some laws are rather narrowly focused on a specific group of state officials, many laws cover a broad range of statewide officeholders, candidates for statewide office, and state employees.

In recent years, several states have expanded the breadth of ethics reform to include not only state officials, but local government officials as well. States such as Delaware, Massachusetts, West Virginia, New Jersey, and Kentucky have all recently required their local governments to follow state guidelines in constructing and implementing ethics ordinances. Whether state-mandated reform can be successful, however, is unclear. There are many reasons to expect local governments to resist mandated reform. Local officials may see state-mandated reform as an unwanted infringement on their authority, and ethics reform may impose significant costs on local governments.⁷ In addition, many local officials may be benefiting (either materially or politically) from the very practices that ethics reforms are designed to curb. Alternatively, despite the existence of these negative incentives, a number of factors may motivate local officials to implement meaningful reforms, including the priority placed on reform by the state, the salience of reform among the electorate, pressure from the mass media, as well as other aspects of the political environment.

Although several studies have examined the regulation of political corruption and contemporary ethics reform by the federal and state governments, few studies have extended their focus to local governments.⁸

⁴Joseph Zimmerman, *Curbing Unethical Behavior in Government* (Westport, CT: Greenwood Press, 1994), p. 2. As Zimmerman notes, however, if the unethical behavior is highly visible and viewed as excessive, as it was in the heyday of the political machines, such behavior may in fact increase citizen participation and lead to highly qualified and ethical individuals seeking office.

⁵Alan Rosenthal, *Drawing the Line: Legislative Ethics in the States* (Lincoln: University of Nebraska Press, 1996).

⁶James S. Bowman, ed., *Public Integrity Annual* (Lexington, KY: Council of State Governments, 1996).

⁷Ann O'M. Bowman and Richard C. Kearney, *State and Local Government* 4th ed. (Boston: Houghton Mifflin Company, 1999); Joseph Zimmerman, *State-Local Relations: A Partnership Approach* 2nd ed. (Westport, CT: Praeger Publishers, 1995).

⁸See especially, Michael Johnston, *Political Corruption and Public Policy in America* (Monterey, CA: Brooks/Cole Publishing Company, 1982); Michael Johnston, "Corruption and Political Culture in America: An Empirical Perspective," *Publius: The Journal of Federalism* 13 (Winter 1983): 19-39; Michael Johnston, "Right and Wrong in American Politics: Popular Conceptions of Corruption," *Polity* 18 (Spring 1986): 367-391; Kenneth J. Meier and Thomas M. Holbrook, "I Seen My Opportunities and I Took 'Em: Political Corruption in the American States," *Journal of Politics* 54 (February 1992): 135-155; David C. Nice, "Political Corruption in the American States," *American Politics Quarterly* 11 (October 1983): 507-517; John G. Peters and Susan Welch, "Political Corruption in America: A Search for Definitions and a Theory, or If Political Corruption

This study examines how the cities in one state—Kentucky—in the wake of convictions of state legislators and local political corruption, have responded to state legislation requiring them to write and implement ethics ordinances addressing a variety of areas. As local governments were given broad discretion to implement ethics reform, we seek to uncover the factors that led cities to adopt effective ethics laws by examining variation in the stringency of the ordinances eventually adopted by local officials. Our findings indicate that the local political context played an important role in explaining differences across cities in the implementation of state-mandated ethics reform and offer insight as to how local governments might respond to ethics reform in other states.

BACKGROUND: STATE-MANDATED ETHICS REFORM IN KENTUCKY

Ethics reform in Kentucky became an issue in the early 1990s following an FBI sting that led to the conviction of nineteen legislators and lobbyists.⁹ In July 1992, the Executive Branch Code of Ethics was enacted by the Kentucky General Assembly, followed by the Legislative Code of Ethics in September 1993. Attention turned to local governments during the 1994 session of the General Assembly when HB 238, which mandated comprehensive local ethics reform, was passed by large margins in both chambers.

Kentucky's law instructing local governments to enact ethics reform ordinances mandated that all local governments—120 counties and 435 cities and towns—address four areas in a written code of ethics: (1) standards of conduct, (2) financial disclosure, (3) nepotism, and (4) enforcement of the code by local ethics boards.

Local governments were required to file their code of ethics with the Department of Local Government (DLG) by 1 January 1995, or else state funds would be suspended. Although 547 of the 550 cities and counties met the state-imposed deadline,¹⁰ an examination of the codes of ethics written by local governments reveals substantial variation in their stringency. This appears to have been facilitated by two important aspects of the implementation environment.

Is in the Mainstream of American Politics Why is It Not in the Mainstream of American Politics Research?" *American Political Science Review* 72 (September 1978): 974-984; John G. Peters and Susan Welch, "Politics, Corruption, and Political Culture: A View from the State Legislature," *American Politics Quarterly* 6 (July 1978): 345-357; Susan Welch and John G. Peters, "State Political Culture and the Attitudes of State Senators Toward Social Economic Welfare, and Corruption Issues," *Publius: The Journal of Federalism* 10 (Spring 1980): 59-67.

⁹This FBI sting is commonly called "Boptrot," named for the Business Organization and Profession (BOP) committees of the Kentucky Senate and House. The "trot" refers to trotting races of harness horses. The sting involved an FBI agent posing as a vice president of a harness track who offered bribes to legislators at a conference in Las Vegas, Nevada, in exchange for changes in state law that would benefit harness tracks. This sting spanned 18 months, during which time more than 1,000 audio and videotapes were made of legislators accepting bribes in a local hotel lobby in the state capitol (Rosenthal, "Drawing the Line").

¹⁰The sparsely populated cities of Mockingbird Valley (population, 193), Poplar Hills (population, 377), and Southpark View (population, 214) did not enact ethics codes as required by KRS 65.003.

First, the language of the state legislation mandating ethics reform was extremely vague and left the door wide open for cities and counties to construct ordinances in a variety of ways. Second, no state agency or group effectively oversees or monitors compliance with the state legislation. Although all ethics ordinances must be on file with the Department of Local Government, the department's only directive from the state was to ensure that the initial codes addressed the four areas outlined in the legislation. Specifically, the Administrative Protocol for Local Government Ethics at the DLG states that "the Department's role is not to assess the effectiveness or appropriateness of the contents of the ordinances."¹¹ The DLG had power to sanction local governments for noncompliance only if a code of ethics was not filed by 1 January 1995.

As a result of both the vagueness of the state legislation and the lack of effective oversight, many cities and counties appear to have intentionally subverted the spirit of the law by writing weak, if not meaningless, laws. This appears to have been the case for all four types of ethics laws required by the legislation.¹²

Standards of Conduct. The law requiring localities to write local ethics laws simply states that each code of ethics is to include a section on standards of conduct. As a result, all counties and cities have a section on standards of conduct, but the scope of the ordinances varies significantly across localities. For example, 80 percent of the counties and 28 percent of the cities wrote standards-of-conduct sections that explicitly apply to elected officials only, thus leaving appointed officials and employees uncovered.¹³

Some local governments satisfied the requirement of the mandate by addressing standards of conduct, but they addressed it by saying explicitly that no requirement would be in force. Others required officials to report gifts if there is "clear and convincing evidence" that the gifts were intended to influence the actions of the officials. Some ordinances, such as the one in force in Anderson County, explicitly states that it is legal to accept any gift or even a job offer from those doing business with the county.¹⁴

Financial Disclosure. The state mandated that each code of ethics was to include a section on requirements for financial-disclosure statements. According to state law, local ordinances were to provide for the annual

¹¹Edward B. Hatchett, Jr., "Local Government Ethics Codes and Boards: August 2000 Performance Audit," Report by the Kentucky Auditor of Public Accounts (2000), 11.

¹²These weaknesses of the ethics reform passed by the state legislature were immediately recognized by local political analysts upon passage of the legislation. For example, the *Lexington Herald-Leader* published a scathing editorial: "The concept of doing what's right was absent in the Capitol when the vast majority of lawmakers lined up along the tracks and cheered as the Frankfort Cannonball [paper's name for HB238 referring to a runaway train] made its run. Of course, it's hard to think about right and wrong when you are groveling before the local courthouse crowd with your tail tucked between your legs," 11 February 1994, p. A14.

¹³Hatchett, "Local Government Ethics Codes and Boards," 7.

¹⁴Penny M. Miller, "Small Bark but no Bite: The Politics of Creating, Implementing, and Enforcing State-Mandated Local Government Ethics Ordinances in Kentucky," (Paper presented at the 1997 Meeting of the Midwest Political Science Association, Chicago, IL, 10-12 April 1997), 16.

filing of financial-disclosure statements, to require both elected officials and candidates for local office to file financial-disclosure statements, and to require that these statements be filed with the local ethics enforcement body where they would be available for public inspection.

After analyzing the content of the codes, the State Auditor's Office determined that all counties and cities included a financial-disclosure section in their codes of ethics. Once again, however, this determination masks important variation in the content of the ordinances. The State Auditor's Office "identified 119 instances in counties and 247 instances in cities where ethics codes do not contain all required financial-disclosure statement provisions, or are not specifically clear on addressing the requirements."¹⁵

Other cities were legally in compliance, but wrote disclosure ordinances that would rarely, if ever, need to be applied to anyone. For example, the disclosure ordinance enacted by one city states that officials need not disclose any source of income under \$1,000,000.¹⁶ The disclosure rule in the town of West Liberty requires local officials to report only those sources of income that exceed \$250,000. According to West Liberty's mayor pro tem, "The state said you have to give them a number, so that's what we give them."¹⁷

Nepotism. As with the required section on standards of conduct, state law simply states that each local code of ethics should include a section on the employment of family members of officials or employees of the local government. According to initial research conducted by the State Auditor's Office, only 55 percent of cities in Kentucky explicitly prohibit nepotism in their ethics codes. Many of the new ordinances permit the hiring of one family member or even states that "no more than one or two family members" can be hired.¹⁸ As one judge-executive commented, "If you need somebody you can trust real well, there's nothing better than a relative."¹⁹

Enforcement of the Code. The state mandated that each local government was to designate a person or group responsible for enforcement. That person or group was to maintain the financial-disclosure statements, and was to have the authority to receive complaints, issue opinions, investigate possible violations, and impose penalties. Although all cities and counties were in compliance with the basic requirement of having a section addressing enforcement, the State Auditor's Office "identified 76 instances in counties and 109 instances in cities where ethics codes do not contain all required enforcement section provisions."²⁰ Not surprisingly, there is considerable variance in the composition and activities of enforcement boards. One

¹⁵Hatchett, "Local Government Ethics Codes and Boards," 8.

¹⁶Miller, "Small Bark but no Bite," 16.

¹⁷*Lexington Herald-Leader*, 22 January 1995, p. A11.

¹⁸Miller, "Small Bark but no Bite," 16.

¹⁹Hatchett, "Local Government Ethics Codes and Boards," 9.

²⁰*Ibid.*

local government has groups in the community (e.g., the League of Women Voters and the Better Business Bureau) compile a list of candidates for the board, from which the mayor must choose the board members. Many local governments, however, wrote provisions in their code of ethics for establishing an enforcement board but never actually created one. In others, the board never formally met, or meets only “as needed.”²¹

Based on a literal interpretation of the state legislation, practically every city and county “successfully” implemented ethics reform by addressing the four areas they were mandated to address and by filing their ethics reform ordinances by 1 January 1995 with the Department of Local Government. Clearly though, if viewed from the perspective of good governance, we cannot conclude that ethics reform implementation has been entirely successful in Kentucky. Yet, despite the fact that ethics ordinances adopted by many cities and counties were rather weak, many local governments did follow through with meaningful reform.²² Given this fact, we are left to ask why some cities, despite a lack of commitment and effort from state government and in the face of resistance from many local officials, eventually adopted relatively strict ethics ordinances. In the remaining sections of the study, we examine the determinants of ethics stringency, which we expect to be related to a number of possible explanatory variables suggested by past studies of state-local relations and studies of the determinants of political corruption.

THEORY AND HYPOTHESES

Although states vary in the discretion they grant to their local governments, all states rely on local government cooperation to accomplish important policy objectives through the implementation of state policies.²³ Many of the state policies implemented by local governments take the form of state mandates, with some of the most significant mandates addressing environmental issues, land use and planning, education, the administration of elections, and health care. Understandably, state mandates are often resented, if not resisted, by local government officials due to the fact that mandates impose costs on local governments, displace local priorities in favor of state priorities, and thus limit the management flexibility of local governments.²⁴ Based on the results of several studies, this local resistance

²¹Hatchett, “Local Government Ethics Codes and Boards,” 21.

²²For example, Lexington-Fayette County adopted the most stringent local ethics ordinance, by not only including appointed officials and employees under the standards-of-conduct section, but also including volunteers on local boards and commissions. Other requirements include strict prohibitions of nepotism, and financial disclosure of income sources exceeding \$500, real estate holdings, and debts. The code of enforcement section provides for a bipartisan independent body appointed by the mayor to investigate complaints and enforce the code.

²³Zimmerman, *State-Local Relations: A Partnership Approach*; David R. Berman and Lawrence L. Martin, “State-Local Relations: An Examination of Local Discretion,” *Public Administration Review* 48 (March/April 1988): 637-641.

²⁴Bowman and Kearney, *State and Local Government*.

is even more severe when state oversight is weak and when the policy goals of state government are vague.²⁵

This was the case for state-mandated ethics reform in Kentucky, which is why it is no surprise that there is considerable variation in the stringency of codes written by local governments. Given this fact, the most important factor affecting mandate compliance in an environment where state control is weak is likely to be local commitment to state policy objectives.²⁶ Accordingly, we posit that variation in the support for strong ethics reform by elected officials could conceivably result from three types of variables related to local commitment to ethics reform: (1) values embedded in the local political culture, (2) the local socioeconomic environment, and (3) the accountability of elected officials to the local electorate.

Political Culture

The nature of the local political culture could influence the level of local support for ethics reform in two ways. First, local political culture could affect the level of citizen tolerance of corruption and unethical behavior in local government. Daniel J. Elazar contended that states dominated by the moralistic culture are intolerant of corruption, emphasize honesty, and view office-holding as an honor requiring selfless dedication. States in the individualistic tradition are said to be somewhat tolerant of corruption, and states dominated by the traditionalistic culture not only tolerate corruption but also create the expectation that those active in politics will gain personally from it, "although not necessarily by direct pecuniary gain."²⁷ Consistent with this reasoning, numerous studies have found a connection between political culture and the incidence of political corruption.²⁸

Political culture may also be related to ethics reform through its effect on attitudes concerning the importance of local autonomy, and thus opposition to *any* type of mandate imposed by the state or federal government. The moralistic political culture, seeking to achieve the "good

²⁵Phillip R. Berke and Steven P. French, "The Influence of State Planning Mandates on Local Plan Quality," *Journal of Planning Education and Research* 13 (Summer 1994): 237-250; Raymond J. Burby and Linda C. Dalton, "Plans Can Matter! The Role of Land Use Plans and State Planning Mandates in Limiting the Development of Hazardous Areas," *Public Administration Review* 54 (May-June 1994): 229-238; Linda C. Dalton and Raymond J. Burby, "Mandates, Plans, and Planners: Building Local Commitment to Development Management," *Journal of the American Planning Association* 60 (Autumn 1994): 444-472; Phillip R. Berke, Dale J. Roenigk, Edward J. Kaiser, and Raymond Burby, "Enhancing Plan Quality: Evaluating the Role of State Planning Mandates for Natural Hazard Mitigation," *Journal of Environmental Planning and Management* 39 (March 1996): 79-96.

²⁶Robert E. Deyle and Richard A. Smith, "Local Government Compliance with State Planning Mandates: The Effects of State Implementation in Florida," *Journal of the American Planning Association* 64 (Autumn 1998): 457-470.

²⁷Daniel J. Elazar, *American Federalism: A View from the States*, 3rd ed. (New York: Harper and Row, 1984), pp. 115-122; Nice, "Political Corruption in the American States," 507-517.

²⁸Nice, "Political Corruption in the American States," 507-517; Peters and Welch, "Political Corruption in America," 974-984; Peters and Welch, "Politics, Corruption, and Political Culture," 345-357; Welch and Peters, "State Political Culture and the Attitudes of State Senators Toward Social Economic Welfare, and Corruption Issues," 59-67; Johnston, "Corruption and Political Culture in America," 19-39; John Kincaid, ed., *Political Culture, Public Policy and the American States* (Philadelphia: ISHI Press, 1982).

community” through positive action, “creates a greater commitment to active government intervention in the economic and social life of the community.”²⁹ The individualistic political culture, with its businesslike conception of politics, will initiate new programs if they are demanded by public opinion. The conservative traditionalistic political culture tends to be anti-bureaucratic and tries to limit government’s role so as to secure the continued maintenance of the existing social order, opposing any type of state or federal intervention.³⁰ Thus, based on these two possible influences of political culture, we would expect traditionalistic cultures to be most resistant to mandated ethics reforms, with individualistic cultures somewhat less resistant. Moralistic political cultures, on the other hand, should be most receptive to state-mandated ethics reform.

Like most southern states, Kentucky has generally been regarded as a classic example of the traditionalistic political culture—allowing an active role for government, but primarily as keeper of the old social order and maintainer of the status quo. Over the years, however, the state has experienced growing pockets of an individualistic political culture in Lexington, and along Kentucky’s northern border, especially in Louisville and the southern suburbs of Cincinnati, Ohio. Moralistic cultural attitudes, which emphasize the need for social activism, are relatively rare but can be found scattered throughout the state.³¹ Thus, given this variation in culture across the state, we expect that local political culture may play a significant role in explaining variation in local government responses to ethics reform.

While data on political culture at the state level are readily available, measuring *local* political culture is not so straightforward because equivalent data are not available for counties or cities.³² We therefore created our own measure of local (city) political culture as follows. First, using Elazar’s political subculture typology, a panel of four local government experts from the Kentucky League of Cities, the Kentucky Department of Local Government, the Kentucky Long-Term Policy Research Center, and the University of Kentucky were briefed on the defining characteristics of each of the three culture types.³³ Second, each of the panel members coded each city in Kentucky as traditionalistic, individualistic, or moralistic. The final coding for each city was then determined based on the cultural designation assigned by a majority of the panel.³⁴ To determine the effect

²⁹Penny M. Miller, *Kentucky Politics and Government: Do we Stand United?* (Lincoln: University of Nebraska Press, 1994), p. xxviii.

³⁰*Ibid.*, xxviii–xxix.

³¹Elazar, *American Federalism: A View from the States*, pp. 115–122; Miller, *Kentucky Politics and Government: Do we Stand United?* pp. 3–4.

³²For example, Elazar, *American Federalism: A View from the States*, pp. 115–122; John Kincaid, “Dimensions and Effects of America’s Political Cultures,” *Journal of American Culture* (Fall 1982): 84–92; Ira Sharkansky, *Regionalism in American Politics* (New York: Bobbs-Merrill, 1970).

³³Elazar, *American Federalism: A View from the States*, pp. 115–122; Miller, *Kentucky Politics and Government: Do we Stand United?* pp. xxv–xxx.

³⁴John Kincaid, “Political Culture and the Quality of Urban Life,” *Publius: The Journal of Federalism* 10 (Spring 1980): 89–110. The four experts displayed a high level of consensus as a majority opinion was reached for every city.

of political culture on local ordinance stringency, we include dummy variables for individualistic and moralistic cultures, leaving traditionalistic cultures as the baseline (omitted) category.

Socioeconomic Conditions

Local Revenue Capacity. When mandates are unfunded, local compliance becomes dependent upon the availability of local resources to absorb the costs of implementation. This seems to be supported by studies of local implementation of state planning mandates, all of which find the availability of local resources to be related to local compliance.³⁵ Although ethics reform is not nearly as expensive to implement as state mandates in such areas as environmental protection, health care, or education, it is by no means costless, and given the personal stake that many local officials have in maintaining the status quo, we might expect local revenue capacity to play a role in explaining ethics stringency. Thus, we hypothesize that local revenue capacity, measured as the median housing value in a city (in thousands), should be positively related to ordinance stringency.

Middle-Class Presence. The middle class has a long history of opposition to corruption, dating back to Progressive Era battles against political machines.³⁶ In addition, more highly educated voters tend to be better informed and better able to sift through political information.³⁷ Consistent with past studies, we hypothesize that local ethics stringency is positively related to the size of the middle class, as measured by the percentage of adults over age 25 with a college degree in 1990.³⁸

Political Environment

Accountability. Several studies have demonstrated that charges of corruption lead to a decline in a candidate's vote totals.³⁹ Thus, we hypothesize that electoral accountability may motivate local officials to avoid

³⁵For example, Berke, Roenigk, Kaiser, and Burby, "Enhancing Plan Quality," 79-96; Dalton and Burby "Mandates, Plans, and Planners," 444-472; A.E. Luloff and Kenneth P. Wilkinson, "Participation in the National Flood Insurance Program: A Study of Community Activeness," *Rural Sociology* 51 (Summer 1979): 266-274; Alvin H. Mushkatel and Louis F. Weschler, "Intergovernmental Implementation of Building Codes with Lateral Force Provisions," *Policy Studies Review* 4 (May 1985): 680-688; Tefvik F. Nas, Albert C. Price, and Charles T. Weber, "A Policy-Oriented Theory of Corruption," *American Political Science Review* 80 (March 1986): 107-119.

³⁶James Q. Wilson, "Corruption: The Shame of the States," *The Public Interest* 2 (Winter 1966): 28-38; H. Gosnell, *Machine Politics: Chicago Model* (Chicago: University of Chicago Press, 1968); John A. Gardiner, "Public Attitudes Toward Corruption," *Theft of the City*, eds. J. Gardiner and D. Olson (Bloomington: Indiana University Press, 1974).

³⁷Nice, "Political Corruption in the American States," 507-517; Susan Rose-Ackerman, *Corruption: A Study in Political Economy* (New York: Academic Press, 1978); Meier and Holbrook, "I Seen My Opportunities and I Took 'Em," 135-155.

³⁸Meier and Holbrook, "I Seen My Opportunities and I Took 'Em," 135-155.

³⁹Peters and Welch, "The Effects of Charges of Corruption on Voting Behavior in Congressional Elections," 697-708; Barry S. Rundquist, Gerald S. Strom, and John G. Peters, "Corrupt Politicians and Their Electoral Support: Some Experimental Observations," *American Political Science Review* 71 (September 1977): 954-963; Lyn Ragsdale and Timothy E. Cook, "Representatives' Actions and Challengers' Reactions: Limits to Candidate Connections in the House," *American Journal of Political Science* 31 (February 1987): 45-81; Jonathan S. Krasno and Donald Phillip Green, "Preempting Quality Challengers in House Elections," *Journal of Politics* 50 (November 1988): 920-936.

the appearance of condoning corruption by constructing strict ethics ordinances. Past studies of the incidence of political corruption have examined two aspects of the electoral environment thought to enhance accountability—the level of political participation and the degree of electoral competition.⁴⁰ To capture the level of local political participation, we include a measure of turnout in the 1993 local elections in Kentucky. As mayors were expected to take the lead in local efforts to construct ethics ordinances, we also include a measure of electoral competition for this office, measured as the percentage difference in the vote share between the winner and the runner-up in the 1993 mayoral race.

Visibility. In a similar vein, Kenneth Meier and Thomas Holbrook reasoned that public officials who are less visible to the public are more prone to engage in corrupt behavior.⁴¹ We include two variables to measure local visibility of elected officials. First, mayors in strong-mayor systems are more visible to the public due to the increased authority they have compared to their counterparts in weak-mayor systems. We therefore hypothesize that cities with strong-mayor systems (measured as a dummy variable) will adopt stricter ethics ordinances than cities with weak-mayor systems. We also believe that local officials may feel more pressure to act in the interest of the general public when their actions are monitored by the media, and thus hypothesize that local media presence will be positively related to ethics stringency. This variable is measured as the number of media outlets (i.e., print, television, or radio) located in a city.

Opportunity. To the extent that the propensity for corruption is related to opportunity, a large local bureaucracy may present ample opportunity for unethical acts due to the large sums of money and the anonymity inherent in big government.⁴² In addition, the presence of a large bureaucracy may also provide incentives for officials to engage in corruption due to “bureaucratic inertia.”⁴³ According to this explanation, bureaucratic arrangements present obstacles to change and thus may contribute to acceptance of bribes in order to circumvent perceived inequities in government.⁴⁴ We account for this possibility by including a measure of government size, namely, the percentage of the local employed population working in the public sector in 1990, which we expect to be negatively related to ethics stringency.

⁴⁰Meier and Holbrook, “I Seen My Opportunities and I Took ‘Em,” 135-155; Johnston, “Corruption and Political Culture in America,” 19-39; Nas, Price and Weber, “A Policy-Oriented Theory of Corruption,” 107-119; Rose-Ackerman, *Corruption: A Study in Political Economy*; Nice, “Political Corruption in the American States,” 507-517.

⁴¹Meier and Holbrook, “I Seen My Opportunities and I Took ‘Em,” 135-155.

⁴²Ibid.

⁴³Johnston, *Political Corruption and Public Policy in America*; Rose-Ackerman, *Corruption: A Study in Political Economy*; Nas, Price, and Weber, “A Policy-Oriented Theory of Corruption,” 107-119.

⁴⁴Johnston, *Political Corruption and Public Policy in America*; Nas, Price, and Weber, “A Policy-Oriented Theory of Corruption,” 107-119; Simcha B. Werner, “New Directions in the Study of Administrative Corruption,” *Public Administration Review* 43 (March/April 1983): 146-154; Robert Klitgaard, *Controlling Corruption* (Berkeley: University of California Press, 1988).

The weaker social controls and anonymity of big cities, along with their history of political machines, are also thought to provide greater temptations and opportunity for government corruption, but empirical results have been inconclusive.⁴⁵ Nevertheless, we hypothesize that holding other variables constant, ethics stringency should be negatively related to city population size (measured in thousands).⁴⁶

MEASURING ORDINANCE STRINGENCY

Data on the stringency of city ordinances were obtained from the State Auditor's Office, which had completed a comprehensive analysis of local ethics codes in 2000.⁴⁷ We measure ethics stringency using five dichotomous variables that measure stringency across each of the four dimensions of ethics reform that cities were instructed to address by state legislation.⁴⁸ These five variables are defined below.

Standards of Conduct

(1) In addition to elected officials, does the standards-of-conduct provision apply to appointed officials and/or employees? (0=No, 1=Yes)

Financial Disclosure: Coverage

(2) In addition to elected officials, are candidates for local office required to file financial disclosure statements? (0=No, 1=Yes)

Financial Disclosure: Public Inspection

(3) Does the financial-disclosure section explicitly state that statements are available for public inspection? (0=No, 1=Yes)

Nepotism

(4) Is nepotism explicitly prohibited? (0=No, 1=Yes)

Enforcement

(5) Does the enforcement body have the authority to receive complaints, issue opinions, investigate violations, and impose penalties? (0=No to at least one, 1=Yes to all)

These five items were summed to create an index of ethics stringency that takes on a range of 0 (least stringent) to five (most stringent). The

⁴⁵H. Jacob, *Urban Justice* (Englewood Cliffs, NJ: Prentice Hall, 1973); Michael Johnston, "Right and Wrong in American Politics," 367-391; Meier and Holbrook, "I Seen My Opportunities and I Took 'Em," 135-155; Nice, "Political Corruption in the American States," 507-517.

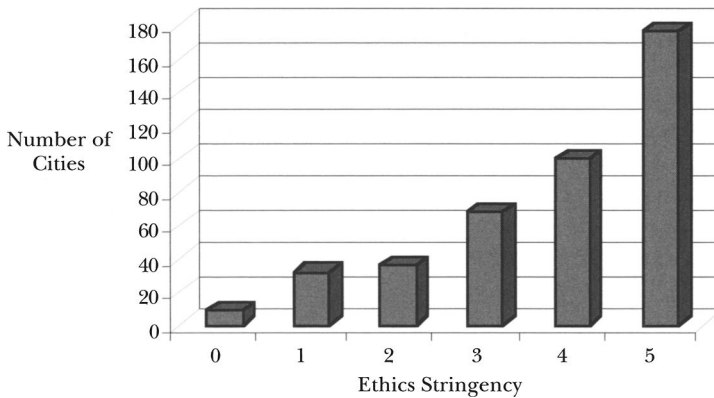
⁴⁶Data for median housing value, population, education, and public sector employment were obtained from the 1990 census. Data for mayoral elections were used to construct measures of turnout and competition, and were obtained from the *Lexington Herald-Leader*, the *Louisville Courier-Journal*, and the State Board of Elections. Data on local media outlets and government structure were provided by the Kentucky League of Cities. Due to a lack of availability of electoral data for many cities, our estimation sample is reduced to 288 cities.

⁴⁷We are indebted to Auditor of Public Accounts, Edward B. Hatchett, Jr., and Director of Performance Audit, Gerald W. Hoppmann, for their assistance in our research.

⁴⁸Ordinance data are also available for counties; however, we restrict our analysis to cities for two practical reasons. First, the cities display greater variation in the dependent variable. Second, we were unable to obtain comparable electoral data for county offices.

distribution of all Kentucky cities ($n=426$) across the six categories of stringency is displayed in Figure 1. From the figure, it can be seen that a majority (249 or 56 percent) of cities scored less than 5 on our stringency scale, which means that these cities wrote weak ordinances for at least one of the five ordinance categories included in our stringency scale. Nearly all cities wrote at least one strong ordinance, however, as only eight cities scored a 0 on our stringency scale.

Figure 1
Distribution of Cities by Ethics Stringency



ESTIMATION AND RESULTS

To test our hypotheses, we regressed the stringency variable on the independent variables described above using ordered probit analysis. Ordered probit, which utilizes maximum likelihood estimation, is appropriate in this case due to the ordinal nature of our dependent variable and the known problems with ordinary least squares in such cases.⁴⁹ Our estimates of the coefficients for our model are presented in Table 1. The statistical results suggest that socioeconomic factors cannot explain differences across cities in ethics stringency because local revenue capacity (median housing value) and education level do not approach statistical significance.⁵⁰ Rather, the implementation of state-mandated ethics reform appears to have been driven largely by local political factors. Holding other variables constant, cities were significantly more likely to construct strict ethics ordinances where political competition was high, where there was a higher level of visibility of elected officials due to a strong media presence, and where the local political culture reflects values that are more supportive of ethics reform. Finally, the effect of population size was negative as

⁴⁹J. Scott Long, *Regression for Categorical Dependent Variables* (Newbury, CA: Sage, 1997).

⁵⁰We also examined the impact of other economic variables such as median income and poverty rate, but none of these other variables proved significant.

hypothesized and statistically significant, perhaps due to the higher visibility of elected officials in small towns.

Table 1
Ordered Probit Results for Determinants of Local Ethics Stringency

Independent Variables	Coefficients	Robust Standard Errors
Revenue Capacity	.001	.052
Education	.003	.008
Population	-.010**	.004
Competition	-.004**	.002
Turnout	.001	.004
Strong Mayor	-.059	.151
Media Presence	.141**	.064
Government Size	-.001	.020
Individualistic Culture	.265*	.146
Moralistic Culture	.615**	.244
Number of Observations	288	
LR χ^2 (10df):	23.7, p = .008	

Note: Results obtained using the oprobit command in Stata 7.0. Standard errors are adjusted for heteroskedasticity.

*p < .10, two tailed.

**p < .05, two tailed.

In addition to their statistical significance, the strength of these effects appears to be relatively significant as well. This can be seen by examining predicted probability values for the six categories of our stringency scale, calculated for various values of the independent variables of interest, while holding other variables constant at their mean value. These results are presented in Table 2. In calculating the probabilities found in the first three rows of the table, we varied the value of political culture while keeping the values of all other independent variables constant at their mean. Scanning down the columns of the table, one can see the impact of political culture on ethics stringency. For example, the predicted probability of a traditionalistic city scoring a perfect 5 on our scale is found to be .38 (again, assuming other variables are at their mean values). In contrast, among individualistic and moralistic cities, the predicted probabilities of scoring a 5 are significantly higher at .48 and .62, respectively. Thus, everything else equal, moralistic cities were 63 percent more likely to score a perfect 5 on the stringency scale. Clearly, the local political culture played a significant role in explaining why some cities adopted strict ordinances, while others did not.

We also report predicted probabilities to evaluate the effects of electoral competition and media presence. For each of these variables, we computed predicted values for one standard deviation above/below the mean of that

Table 2
Predicted Probabilities for Local Ethics Stringency,
by Values of Selected Independent Variables

	Ethics Stringency					
	0	1	2	3	4	5
Political Culture						
Traditionalistic	.02	.09	.11	.15	.26	.38
Individualistic	.01	.06	.08	.12	.25	.48
Moralistic	.00	.03	.05	.09	.22	.62
Media Presence						
0	.01	.08	.10	.15	.26	.39
2.2	.01	.05	.07	.11	.25	.52
Competition						
16	.01	.05	.07	.12	.25	.50
96	.01	.09	.11	.15	.26	.38

Note: Predicted probabilities were calculated using the `prvalue` command in the SPOST package of post-estimation commands written by Long and Freese and described in: J. Scott Long and Jeremy Freese, 2001, *Regression Models for Categorical Dependent Variables Using Stata*. College Station, TX: Stata Press.

variable, while setting the values of other variables at their means.⁵¹ For both competition and media presence, we see very similar effects. For media presence, as the number of media outlets increases from 0 to 2.2, the probability of scoring a perfect 5 on the stringency scale increases from .39 to .52—an increase of about 33 percent. For the competition variable, as the percentage difference between the mayoral winner and the runner-up decreases from one standard deviation above the mean to one standard deviation below the mean (i.e., from 96 to 16), the predicted probability of a randomly selected city scoring a 5 on the stringency scale (again, holding other independent variables at their mean values) increases from .38 to .50—an increase of 32 percent. In combination with the other results, this suggests that a significant amount of the variation across Kentucky cities in local ethics stringency can be explained as political in origin.

CONCLUSION

We have examined one state's experience in attempting to mandate local government ethics reform. However, in addition to helping us understand the reform process in Kentucky, our analysis may also provide insights concerning ethics reform in other states. Although several states have addressed the issue of local government ethics reform in recent years, many have maintained centralized control over local ethics reform, or when local discretion has been granted, state legislation specifically and clearly instructs local officials as to how they should proceed.

⁵¹For the variable measuring media presence, subtracting the standard deviation from the mean returned a value below zero, which is not possible to observe. Thus, we set the lower bound of this variable at 0 to calculate the predicted probabilities reported in Table 2.

For example, New Jersey enacted a Local Government Ethics Act in 1991 that established strict ethics guidelines for localities. One state agency, the Local Finance Board, is responsible for enforcing the ethics law throughout the state.⁵² This is in marked contrast to Kentucky's decentralized system, where each of the 550 localities was charged with establishing its own ethics code and board of enforcement. In New Jersey, a locality may establish its own ethics code and board only if it is more stringent than the state ethics code and receives approval from the Local Finance Board. No such minimum standards are present in Kentucky's mandate. Other states, such as West Virginia, clearly state in their Governmental Ethics Act to whom the law applies.⁵³ Similarly, Illinois clearly specifies certain provisions that must be included in local ethics codes, such as a gift ban for local officials. Even in Georgia where local ethics boards are not required or regulated by the state, local ethics ordinances must meet or exceed minimum state standards to call itself a "Certified City of Ethics." Clearly, states such as these that maintain greater control over the construction and enforcement of local ethics codes are more likely to experience success in implementing ethics reform.

As our results show, however, under some conditions, local governments may engage in significant self-regulation, even when afforded substantial discretion in ethics code construction by the state. Based on our statistical analysis, one important reason for this may have been the role that the local political environment played in pressuring local officials to act in the public interest. Cities with relatively developed democratic institutions, characterized by high levels of electoral competition and a strong media presence, were significantly more likely to construct strict ethics ordinances, as were cities reflecting moralistic political values. The fact that so few cities in Kentucky display such characteristics obviously goes a long way toward explaining why so many cities successfully diluted the reform process. Yet, the fact that many cities may have been pressured to comply suggests that state mandates can sometimes be successful even when they are not enforced, and that the development of local democratic institutions might provide an indirect strategy for enhancing the success of reform efforts in the future. More research is needed, however, to determine if this is, in fact, the case.

⁵²West Virginia and Oregon also have a state agency in charge of statewide enforcement of local ethics laws.

⁵³West Virginia includes elected and appointed officials, public employees, board members, agency members, departments, commissions, and county school-board members as being subject to local ethics codes.