

## Fiscal Crisis, Austerity, and Prospects of Participatory Governance: Evidence from US Municipalities

Restoring fiscal stability has been a difficult challenge for many municipalities. States have implemented intervention programs to resolve local financial emergencies. In 2012, Michigan adopted a stringent “emergency manager” law that dramatically increased its functions to provide state intervention mechanisms to address local financial emergencies. The powers bestowed upon emergency managers are greater than those of democratically elected local officials. This research examines the following research questions: (1) Does the fiscal emergency of a municipality affect the level of local participation?; (2) What has been the impact of the state takeover of municipal finances and management on public participation in local jurisdictions? To address these questions, we employ a difference-in-differences method to compare local participation at the individual level in cities with state takeover to cities without state intervention. Local participation will decrease in municipalities with state takeover systems that limit democratic representation. Electoral participation may decline; however, due to the limits on the democratic representation of locally elected officials, different forms of participation may increase. Empirical findings suggest that although there were preexisting differences in the participation level, there were no additional changes in cities after the state takeover compared to cities without such intervention.



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