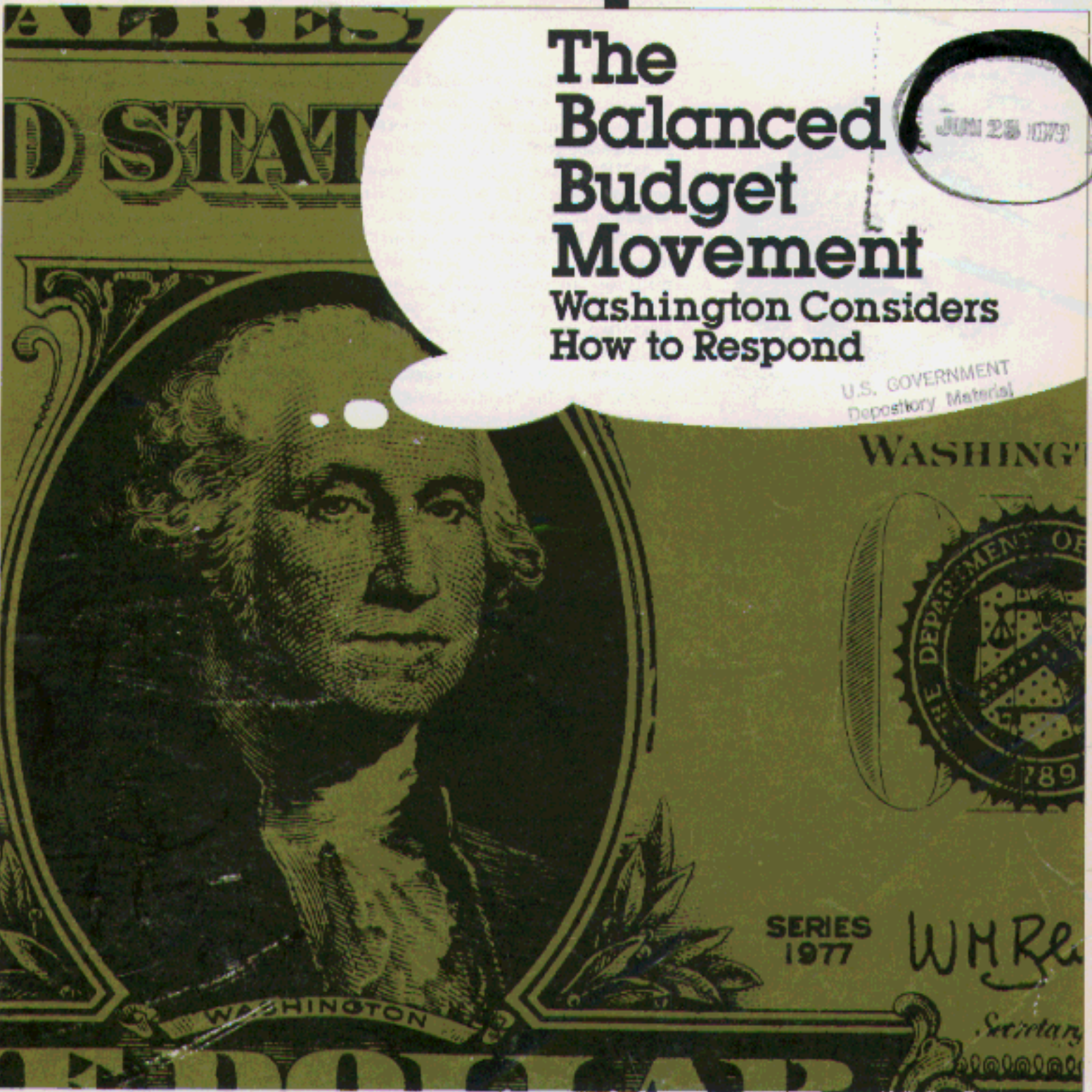


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Intergovernmental

PERSPECTIVE



**The
Balanced
Budget
Movement**

Washington Considers
How to Respond

JUN 28 1979

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View From The Commission



Dear Reader:

Few would disagree, I believe, that one of the most pressing intergovernmental fiscal issues of the spring of 1979 is the groundswell of support for measures to "balance the federal budget."

So far, 30 state legislatures have passed resolutions calling for a balanced federal budget. Polls indicate overwhelming public support for putting the federal checkbook in order. Scores of alternatives have been introduced in the Congress varying from a constitutional amendment prohibiting deficits to more moderate efforts to discipline the current system through ad hoc tax reductions or incremental spending cuts. The range of options and impacts they might have on federal finances

and our intergovernmental system are discussed in some detail in this issue of *Intergovernmental Perspective*.

ACIR's interest in ways to slow government growth is longstanding. We have examined taxing and spending limits at the state and local levels and have historically militated against such limits and concentrated on making representative government more accountable. In those situations where we have conceded the case for limits, we've tried to design them with needed escape hatches so that governments would not be crippled in dealing with a variety of emergencies and threats and so that bad financing practices would not be promoted. One reason for this caution is that our work has shown that limits usually produce unforeseen and damaging effects that plague us for decades. Thus, we should not be too quick to endorse constitutional budget balancing and should carefully consider all the options.

ACIR staffers John Shannon and Bruce Wallin, in an article in this *Perspective*, discuss the merits and impact of each. Interestingly, the article points out that the current ad hoc policy pursued by both the Administration and the Congress appears to be working although some statutory checks might increase budget discipline.

The article by David Walker brings a political perspective to what is generally considered a fiscal issue. He reminds us that the real issue today is "as old as the history of free systems itself: how can government be made representa-

tives and responsive, as well as responsible and restrained?" This is an important question for those of us who are elected officials as well as others who care about the health of our federal system.

For implicit in the notion that only a constitutional amendment would have the force to hold the Congress in line is the belief that the public doesn't trust its elected officials. Therefore if we succeed in balancing the budget, yet fail to improve the accountability of federal, state, and local government, I believe we have missed an opportunity—indeed a mandate—to strengthen our governmental system.

The Commission, impressed with how crucial action in this area is to federal domestic programs and to intergovernmental relations, and how fateful a step it is to amend a constitution, instructed the ACIR staff to evaluate the alternatives to a constitutional amendment requiring balancing of the federal budget. This issue of *Perspective* represents a first cut at this effort. I very much hope and believe it will be useful to both federal policymakers considering the current basketful of proposals and to those of us at the state and local level who are dealing with similar proposals to restrain taxing and spending and improve governmental accountability.

Lynn G. Cutler
Supervisor
Black Hawk County, Iowa

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Lynn Cutler, Supervisor of Black Hawk County, IA, points out the timeliness of this issue of *Perspective* and the importance of Congressional consideration of a variety of alternatives to "balancing the federal budget."

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Intergovernmental FOCUS

GRS, LEAA, Countercyclical Aid Top Current Congressional IGR Agenda

Despite the relatively slow pace of the 96th Congress, a number of proposals of intergovernmental significance are moving through the legislative process. The following is a brief discussion of five such measures.

General Revenue Sharing

Renewal and extension for four years of general revenue sharing (GRS) was proposed by Representative Wydler (NY) with his introduction of H.R. 2291 on February 21. The proposal, which was offered as an amendment to the State and Local Assistance Act of 1972, would provide funding at present levels through fiscal 1983. The current authorization expires September 1980.

In his introductory statement, Rep. Wydler labeled the fact that "decisions affecting local communities are best made at home, not in Washington, DC," as the primary justification for GRS renewal.

Despite this strong support, H.R. 2291 enters a generally hostile environment in the 96th Congress. Repeated state calls for a balanced federal budget have encouraged numerous members of Congress to call for partial or complete dismantling of the revenue sharing program. In fact, the states' share of revenue sharing (\$2.3 billion) was omitted from the First House Budget Resolution for fiscal 1980. Most was restored in conference committee but only after considerable lobbying by state and local public interest groups. Early in the 96th Congress, Senator Bentsen (TX) introduced legislation designed to remove the states from the general revenue sharing program.

The future of GRS is further clouded by uncertainty about the Administration's commitment to the program. One indication of the Administration's direction may be Treasury Secretary Blumenthal's statement before the Senate Finance Committee, in which he called for a "more heavily targeted" revenue sharing program. One facet of the targeting approach may alter the present GRS formula to provide

proportionately more aid to distressed communities.

The ACIR at its March 23 meeting urged that the Administration support, and Congress reenact the revenue sharing program in essentially its present form, except that provisions be added assuring maintenance of the purchasing power of the general revenue sharing dollar.

Antirecession Assistance

Two versions of antirecession aid have been introduced in the Congress:

- S. 200 and H.R. 1246 replicate the Senate-passed measure which fell short of passage in the House at the close of the 95th Congress;
- S. 566 and H.R. 3198 are the Administration's "targeted" version of the program.

Under S. 200 and H.R. 1246, state and local governments whose unemployment levels exceed 6% would receive aid whenever unemployment nationwide exceeds 6%. A second phase of the measure would fund only local governments and would go into effect when unemployment declined below 6% but remained above 5%.

The Administration's measure provides fiscal relief only to local governments with unemployment rates which equal or exceed 6.5%. Title II provides a standby program of assistance to state and local governments which would be triggered if national economic conditions deteriorated sharply and the seasonally adjusted national unemployment rate equaled or exceeded 6.5% for a calendar quarter.

The two plans differ in their scope: the Administration measure would aid over 1,200 communities; S. 200 and H.R. 1246 would spread the dollars to some 10,000 governmental units.

The ACIR has recommended that the Congress establish a permanent "accordion-type" antirecession federal assistance program which would automatically expand to provide aid funds to an increasing number of states and localities as unemployment rises, and automatically contract to a decreasing number of jurisdictions as unemployment falls.

LEAA

Proposed reauthorization of the Law Enforcement Assistance Administration is currently undergoing intense scrutiny on Capitol Hill. The Administration's fiscal 1980 budget proposal reduced LEAA funding by \$100 million from the fiscal 1979 level, and some Congressional critics are suggesting even deeper funding cuts. The funding level approved by the House and Senate 1980 budget resolution was \$446 million.

Despite the gloomy uncertainty which currently surrounds the program, legislation now in Congress would reauthorize the LEAA at an adequate funding level and do much to adjust the program to existing law enforcement needs. This proposal, "The Justice System Improvement Act," (S. 241) was introduced by Senator Kennedy (MA) and a bipartisan group of Senators in January. The Administration has announced its strong support for the proposal.

S. 241 would reauthorize LEAA for a period of five years at a cost of \$4.1 billion (\$825 million per year). It would make certain reorganization changes and set into place elements designed to reduce paperwork and permit greater discretion in the use of funds by local level law enforcement officials, and encourage innovative techniques in improving the justice system. The bill permits recipients to receive funds on a direct entitlement basis with no matching required.

S. 241 was passed by the Senate May 21 with certain changes including an amendment setting out 22 priority categories in which formula monies must be spent—effectively putting categorical "strings" back into the block grant.

The House Judiciary Committee has passed the Kennedy-Administration version of the measure.

Sunset Legislation

With the sustained Congressional interest in program oversight as a way to reduce the number and dollar amounts of federal aid programs, sunset legislation is receiving close consideration in the 96th Congress.

"The Sunset Act of 1979" is now

before both houses of Congress as S. 2 and H.R. 2. The basis of this proposal is found in Title I which requires that all government programs except for a number of enumerated exceptions, be reviewed and reauthorized at least once every ten years.

The bill groups programs for reauthorization by subfunctional categories of the budget and is designed to enable Congress to reauthorize similar programs at the same time and to balance its workload over the ten-year cycle.

The sunset proposal also permits Congressional committees to select programs under their jurisdiction for a more comprehensive reexamination and authorizes the creation of a commission to study the effectiveness of government at all levels and to assist in the implementation of the sunset process.

While the ACIR has not examined or endorsed either S. 2 or H.R. 2, it has been on record in support of the periodic review of federal aid programs since 1961. In its 1977 report **Categorical Grants: Their Role and Design**, the Commission called for enactment of federal sunset legislation.

Buck Act Amendments

On March 21, Senator Bellmon (OK) introduced S. 715 which would amend the **Buck Act** to permit state and local governments to collect taxes on alcoholic beverages and tobacco products sold or consumed on military and other federal reservations.

Passage of S. 715 would implement in part a 1976 ACIR recommendation that Congress amend the **Buck Act** to allow the application of state and local sales and excise taxes (including tobacco and liquor) to all military store sales in the United States.

The **Buck Act**, passed in 1940, permitted state and local governments to tax certain transactions occurring in federal areas but excluded state and local taxation of transactions at post exchanges, commissaries, and ship's stores.

Federal, State Court Decisions Affect State, Local Governments

In recent months, both federal and state courts have issued rulings of

considerable intergovernmental significance.

Two federal court decisions involved federal funds and their impact on state or local structure and functions. Another important case dealt with applicability of broad cross-cutting requirements to general revenue sharing.

The state court decisions covered the gamut from local option sales taxes in Illinois to school finance in Colorado.

Federal Courts

Premier among these decisions was the U.S. Supreme Court's refusal on March 6 to hear **Thornburgh v. Casey**, letting stand the Pennsylvania Supreme Court's decision in **Shapp v. Sloan** that the legislature there does have the right to appropriate federal funds.

Citing want of a "substantial federal question," the Court denied the petitions of a coalition of 32 organizations representing higher education, public schools, minority groups, and labor urging the Court to take the case.

In an amicus brief submitted by the Department of Justice, the Solicitor General urged the Court to dismiss the case, calling it "a dispute between two branches of the state government over whether the state wishes to receive a federal grant."

"Although it may be that Congress could alter the structure of state government in some respects," continued the brief, "whether it has done so in any particular respect would depend on the statute authorizing the grant involved. . . . This Court should be reluctant to undertake the effort of identifying the particular legislative intent of every federal statute under which Pennsylvania receives federal assistance."

The U.S. Supreme Court on April 27 refused to hear Florida's appeal of a lower court decision that the state must follow Congressional requirements in organizing its vocational rehabilitation system.

The court's action lets stand the March ruling of the U.S. Fifth Circuit Court of Appeals that the use of that state's umbrella human services agency for all social services did not

comply with statutory provisions which require a single organizational unit to administer vocational rehabilitation.

The case has been in the courts since 1977 when then Governor Askew's request for a waiver of the single organizational unit was denied by HEW Secretary Califano.

Instead of reorganizing the social service department again, Governor Graham has decided to take actions necessary to utilize a portion of the law passed in 1978 which allows HEW to contract for services "to any public or nonprofit private organization or agency within the state or any political subdivision of the state" submitting a plan meeting requirements set out in the law.

The Governor has said that the state would prefer to have someone else take over the program rather than disrupt the state's organization "to accommodate the federal notion of how the program . . . should be administered by every state." State legislation is currently being drafted to establish a nonprofit organization to take over the total \$40 million program as of July 1, 1979.

In addition, efforts are being made to provide relief in federal legislation. In late May, the U.S. House of Representatives will consider a measure creating a separate Department of Education which contains an amendment to assure state and local flexibility in the organization and administration of programs transferred to the new department. Similarly, the "Federal Assistance Reform Act" (FARA) would encourage use of single state agency waiver provisions by federal agencies.

Federal grant dollars and their implication for recipients was also an issue in a U.S. Court of Appeals ruling that only requirements specifically mentioned in the body of the revenue sharing act are applicable to the revenue sharing program.

In so doing, the court reversed the decision of a three-judge appellate that the **Uniform Relocation Assistance and Real Property Acquisition Policies Act** applies to projects in which the only federal involvement is the presence of federal sharing funds.

The case (*Goolsby v. Blumenthal*) involved a road widening project by the city of Macon, GA, which displaced several tenants including Mrs. Goolsby. Since revenue sharing funds were used to help finance the project, Mrs. Goolsby charged that the city must pay relocation assistance to her and other tenants.

The latest decision is in line with earlier court rulings that revenue sharing funds must be treated as revenues collected by state or local government, not as a traditional grant-in-aid program. It is significant because there are over 35 other federal statutes which place requirements on federally funded projects.

State Courts

The Georgia Supreme Court recently struck down that state's local option sales tax law. Specifically, the court invalidated the revenue distribution formula by which sales tax revenues went to cities and counties. The immediate impact of the court's ruling was to eliminate the mechanism for distributing sales tax revenues among approximately 250 local jurisdictions, and thus create the potential for major property tax increases.

The resolution of the local option sales tax issue became a priority item for the 1979 Georgia General Assembly. After several weeks of intensive negotiations and consultations with local officials, Governor Busbee and the legislature agreed to an "interim" solution that the Governor signed in early April.

Under the new law, that will expire in mid-1981, counties will become local option tax districts. Since there is no rule of uniformity, county and municipal officials in each district must agree upon a distribution formula for their sales tax revenues. If no agreement is reached in 60 days, the revenues are lost.

Several options currently are under consideration for a long-term solution including a constitutional amendment providing for a permanent local option sales tax, and the replacement of the local option with a statewide sales tax.

Two decisions by the Illinois high court will result in added local reve-

nus on the one hand, and a potential major local revenue loss on the other.

In the first case, the court's ruling will provide a one-time \$3.5 million rebate to municipalities. The windfall came from a ruling that a reduction in the service fee charged by the state for collecting sales and service occupation taxes for municipalities was in effect five months earlier than the state actually lowered the fee.

The decision in the second case could mean that local governments and school districts will lose about \$500 million next year. At issue was the personal property tax on corporations which was to have been abolished in January 1, 1979, then replaced by the legislature, according to a provision added to the state constitution in 1970. Since it had not been replaced, the question related to whether continued imposition of the tax was constitutional. The high court ruled that the tax could not be levied or collected for calendar 1979 and future years until a replacement tax was approved. However, the court did rule that 1978 taxes, which are not collected until 1979, are not affected. Replacement proposals are under review by the legislature.

A Minnesota tax court has declared unconstitutional a 1973 law establishing limited market values for property tax purposes. The three-judge panel stated that the law created a "dual system" for market values that resulted in unreasonable tax burdens on some properties in relation to others. The purpose of the law was to keep the taxable value of property from skyrocketing. However, major variations in assessment limits in different jurisdictions and the scope of coverage have led to increasing dissatisfaction with the law in recent years. An appeal to the state supreme court is not expected. However, the legislature is expected to address the problem this year during the consideration of an omnibus tax measure.

A Denver district court had ruled that Colorado's school finance system is unconstitutional. Financing largely is provided from local property taxes. The court determined that equal financing was not provided for poor and rich districts and that the

finance system violated the Equal Protection Clause of both the U.S. and Colorado Constitutions.

The state was given two years to produce a plan that would comply with the court's ruling. The court stated that equalization could be achieved in a number of ways, and offered district boundary realignments, removal of industrial and commercial properties from the tax rolls, and the distribution of a state-level tax on the basis of educational and fiscal need as possible alternatives.

Governor Lamm has indicated that the state will appeal the decision.

Various States and the Congress Consider Income Tax Indexation

As inflation continues to run at near double digit rates and taxpayer unrest continues, executive and legislative officials across the country are looking at indexation of the personal income tax as one way to ease the impact of inflation on the citizenry and provide broad based tax relief.

Action by the 1979 Wisconsin, Iowa, and Minnesota legislatures brings to six the number of states enacting indexation laws in the last two years. Arizona, Colorado, and California passed such laws in 1978, and the Arizona measure, which was effective for 1978 only, will be extended through 1979 under a bill approved by the current legislature. A comprehensive bill to index the Montana personal income tax was approved by both houses of the legislature but vetoed by the Governor.

Bills indexing at least part of the income tax code were introduced in over a dozen other state legislatures and overall indexing measures are currently before the U.S. Congress.

Under an indexation scheme, fixed dollar provisions of the tax code, such as income brackets, personal credits and exemptions, and the standard deduction, are increased annually by the rate of increase in the general price level, thus eliminating the tax increases which would otherwise occur from the natural interaction of inflation and a progressive tax. In 1976, ACIR recommended that the federal and state governments index their personal income tax in the

interest of promoting political accountability in taxing decisions and eliminating what it termed the "inflation tax."

The Minnesota indexing measure, passed as part of the \$730 million tax relief program, is a comprehensive one under which the personal credits, maximum standard deduction, maximum exclusion level for the low income allowance, and the income brackets will be indexed. The adjustment factor for the credits, standard deduction, and low income allowance will be the annual change in the Minneapolis-St. Paul Consumer Price Index (CPI); the income brackets will be indexed by only 85% of the change in the CPI. The bill passed in the last days of the legislature and has not yet been signed by the Governor.

The Wisconsin indexation law was adopted as part of a comprehensive \$490 million property and income tax reform and reduction package. Under the act, the income brackets, but not the standard deduction or personal exemption, will be indexed annually by the change in the national CPI beginning with tax year 1980. The brackets may not be increased by more than 10% in any one year and are not to be reduced below their 1979 levels. The Legislative Fiscal Bureau estimates that with 7% inflation, indexation will provide an individual taxpayer a maximum savings of \$47 and will reduce state revenues by approximately \$37 million in the first year.

The indexing bill approved by the Iowa legislature, but not yet signed into law, is narrower in scope than the other two. Under the bill, the personal income tax brackets will be indexed in the 1979 and 1980 tax years. The indexation factor to be used in 1979 is one-fourth of the percentage change in the U.S. CPI in calendar year 1978; and for 1979, the factor will be one-half of the change in the CPI during calendar year 1979. Indexation is to take effect only if the unobligated general fund cash balance on June 30 of the tax year is greater than \$60 million. An interim legislative committee is being formed to study extending and expanding the scope of the new law.

The indexation bill vetoed in Montana would have indexed the personal exemptions, standard deduction, and income brackets by the change in the U.S. CPI during the previous year, effective with the 1981 tax year. In his veto message, Governor Judge cited several reasons for his disapproval including that the actual revenue loss would be substantially larger than contemplated because of a separate enactment increasing the personal exemption from \$650 to \$800. In addition, he felt that indexation at the state level was a relatively unproven concept and that Montana would be well to review the experience of other states implementing similar laws and reconsider the measure at the 1981 session. The interim legislative Revenue Oversight Committee will be studying indexation prior to the next session.

Other states where indexing measures have been introduced include: California, Georgia, Illinois, Iowa, Kansas, Maine, Minnesota, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, and Utah. Most of the proposals would index the income brackets, personal exemption allowance and standard deduction by the change in the state, local, or U.S. Consumer Price Index. The Maine and Utah bills, similar to the Colorado statute enacted last year, would have the legislature set the inflation factor based on price index data from executive agencies. The California proposal would amend the 1978 statute to provide for the adjustment of the income brackets by the full change in the state CPI rather than the state CPI minus 3% as approved last year.

Bills to index the federal personal income tax code have also been introduced in both houses of Congress. H.R. 365, the "Tax Indexing Act," introduced by Representative Gradison (OH), would index the income brackets and the personal exemptions for changes in the U.S. CPI. The bill, which has attracted over 120 co-sponsors, is awaiting action in the House Ways and Means Committee. A companion measure (S. 12) introduced by Senator Dole (KS) has been referred to the Senate Finance Com-

mittee as has S. 211, introduced by Senator Hart (CO), which would index only the income brackets. Similar legislation was introduced in both the 94th and 95th Congress, and hearings were held on the Senate side in April 1978, but an indexing bill has yet to reach the floor of either chamber.

The potential for indexation at the federal level can be seen from an analysis by the Congressional Joint Committee on Taxation of the effect of inflation on the \$12.9 billion in individual tax reductions contained in the Revenue Act of 1978 (P.L. 95-600).

Assuming an inflation rate of 7% in 1979, the committee estimates that single taxpayers and married couples with no dependents will actually receive only around 25% of their legislated "tax reduction," over 75% will go back to the government in tax increases caused by inflation. Similarly, a family of four will lose from 50% to 70% of the intended reduction thanks to the inflation-income tax interplay. In a number of cases, the tax increase caused by 7% inflation is actually greater than the reduction provided by the Congress. Indexation, on the other hand, would hold tax increases to the rate of inflation and preserve a greater portion of the legislated tax reduction.

Restraining the Federal Budget: Alternative Policies and Strategies

By John Shannon and Bruce Wallin

In the Post-Proposition 13 climate of citizen unrest and distrust of government, the question of what the taxpayer really wants from the Congress has remained largely unanswered. It appears that the taxpayers are dissatisfied on three fronts:

- Tax burdens are too high—inflation is automatically pushing them into higher tax brackets;
- The government is spending too much, growing too large, and becoming too intrusive; and
- Perennial budget deficits are inflationary.

For each of these three public ills—all relating to federal government growth—there is a preferred prescription. If the tax burden is too high, cut taxes. If government spending is out of control, place a lid on the spenders. If deficits are inflationary, balance the budget.

Yet interrelated as these problems—and solutions—are, they are not necessarily complementary. For example, at a time when the federal government is running a substantial deficit, a policy calling for a major tax cut collides head on with a balanced budget goal.

This dilemma was clearly underscored by Senator Russell Long during the recent Senate debate over the extension of the debt limit:

... I believe that one thing we should consider—and this is something that definitely must be considered—is that if we are going to have a balanced budget for fiscal year 1981, we probably cannot have any major tax cut before 1982. We will have to decide whether the American people want a balanced budget more than they want a tax cut, and whether a tax cut would be better or worse for the economy than a balanced budget.

Nevertheless, the taxpayers say they want action—leaving (for the moment) the task of reconciling these often competing goals to the Congress where the fiscal policies are meshed with numerous political strategies.

The classification scheme shown in *Table I* illustrates three fiscal policies (tax cuts, spending lids, and balanced budget controls) along a political spectrum ranging from incremental change to drastic constitutional restrictions. The main chart serves as a rough road map for measuring the policy distance that separates the various plans for curbing public sector growth and highlights the fact that each of the 12 prototype plans represents a distinctive combination of fiscal control and political implementation.

This article points out the strengths and weaknesses of the three broad fiscal policies and then of the four political strategies which may be employed to implement each of them. Along the way, it attempts to clarify the issues surrounding the alternative proposals and to predict some of the effects of the various fiscal discipline policies. The 12 prototypes are discussed primarily in broad terms, with specific legislative proposals referenced only where they might be illustrative. Thumbnail descriptions of the major legislative proposals may be found in *Table II*.

Three Fiscal Strategies

Income Tax Reduction. A reduction in the federal personal income tax is the obvious prescription if the

tax burden is judged to be too high. The reduction can be executed quickly and has for its main advantage the obvious and popular benefit it confers on taxpayers.

It can also be argued that a reduction in taxes will tend to slow down the growth in government spending. This point of view is supported by Parkinson's Second Law—"Expenditures rise to meet revenues and to exceed them." It is also the position of Howard Jarvis, who notes, "They can't spend what they don't have."

While Congress has demonstrated an ability to spend what it does not have—14 deficits in the last 15 years—there is growing evidence to suggest that public opinion is now forcing the Congress to pursue more conservative budget policies. Thus, a major tax cut could at least have the **short run** effect of slowing down the growth in expenditures, although it would certainly complicate the task of balancing the budget.

The proponents of the tax cut confront this balanced budget issue by arguing that an income tax reduction will stimulate private initiative and business activity,

thereby generating an increase in tax revenue. The preponderant view, however, is that we cannot simultaneously make a significant cut in income taxes and still balance the budget in 1981.

In the long run, there is no guarantee that income tax reductions will necessarily slow down government growth. It can be argued, for example, that if the current taxpayer revolt dies down, Congress might revert to heavy deficit financing as the easy way to paper over the shortfall between revenues and rapidly rising expenditures.

Expenditure Control. The policy aimed most directly at slowing the growth of government spending is one that controls the overall spending level.

Many assert that once programs get on the books they have a tendency to grow, and that the current size of the government sector feeds inflation. A reduction in the rate of growth or in the real level of expenditures, they argue, would moderate future revenue needs and slow the inflationary climb.

Table 1

A Classification of Various Proposals for Introducing Greater Fiscal Restraint at the Federal Level

Type of Restraint (Fiscal Policies)	Character Of Restraint (Political Implementation Strategies)			
	Ad Hoc Adjustments (Current Policy)	Indirect Statutory Controls (Strengthened Political Accountability)	Direct Statutory Controls	Direct Constitutional Controls Subject to Extraordinary Majority Rule
Income Tax Controls	IA Ad hoc moderate tax reductions.	IB Indexation to prevent unlegislated tax rate increase due to inflation. ¹	IC Statutory income tax limits tied to specified percentages of a national income measure (Kemp-Roth and Jarvis tax proposals).	ID Income tax collections tied to specified percentages of a national income measure, unless restrictions lifted with <i>extraordinary majority</i> approval in both houses.
Expenditure Controls	IIA Slowdown in expenditure growth—no major new initiatives, most existing programs funded at current service levels. Some program reductions.	IIB "Sunset" legislation that requires Congress to evaluate systematically the effectiveness of existing programs. ¹	IIC Statutory spending limits tied to specified percentages of a national income measure (Kemp-Roth expenditure proposal).	IID Expenditures tied to specified percentages of a national income measure, unless restriction lifted with <i>extraordinary majority</i> approval in both houses (National Tax Limitations Committee proposal).
Balanced Budget Controls	IIIA A gradual reduction in budget deficits.	IIIB If President and Budget Committees submit unbalanced budgets, they must also submit balanced budget alternatives (Long Amendment). ²	IIIC Statutory mandate for balanced budget (Dole proposal).	IIID Deficits prohibited unless approved by <i>extraordinary majority vote</i> in both houses (Most common of the Constitutional proposals). ³

NOTE: Moving from left to right, the restraints become more restrictive or more difficult to alter or both.

¹ ACIR recommendation.

² Public Law 96-5—beginning with the fiscal year 1981, Congress must consider a balanced budget resolution.

³ Certain proposals for amending the Constitution are even more restrictive—S.J. Res. 18 (Sen. Thurmond) also contains a provision for repayment of the national debt; S.J. Res. 16 (Sen. Wallop) requires that revenues after the third year exceed expenditures by at least 5% for the next 20 years.

SOURCE: ACIR staff analysis.

An overall expenditure slowdown would force the kind of critical, cost-effective analysis long sought by some government critics. In effect, this approach would keep the healthy competition for government resources intact, but in the context of a reduced or less rapidly expanding pie. Nor would the adoption of expenditure controls tie the hands of a Congress eager to use tax reductions to stimulate the economy when necessary.

The first disadvantage of the expenditure level approach is that it does not ensure a balanced budget. Depending on the factor to which growth is tied (e.g., GNP), the rate of increase in spending could conceivably outgain previous years, especially if the economy is healthy. Second, expenditure controls could, particularly in bad times, hamper the ability of Congress to meet increases in such mandated programs as unemployment insurance and welfare. In fact, a spending limit tied to GNP would restrict the expenditure discretion of Congress most severely during a recession or a depression.

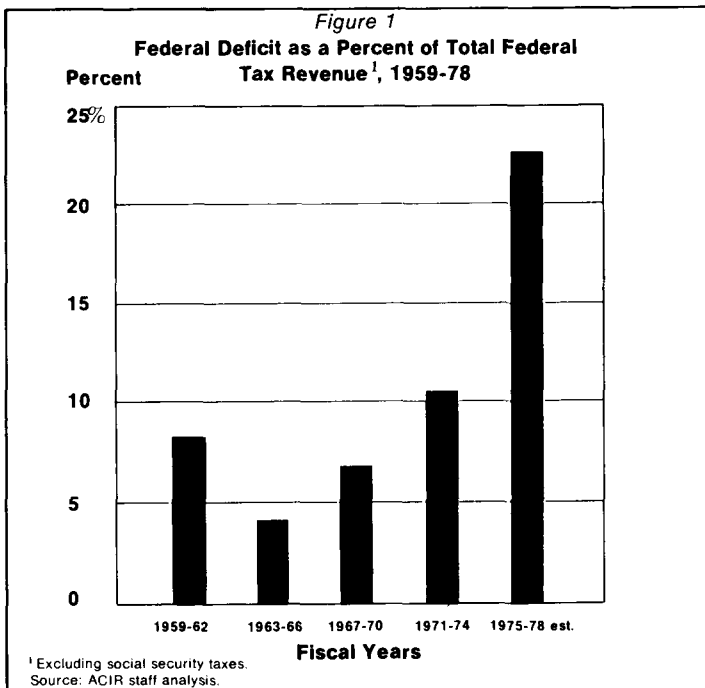
Finally, experience at the local level has demonstrated the ability of elected officials to circumvent expenditure controls—by the creation of special districts, for example. Depending on how a federal expenditure control was drafted, Congress might slip out from under any lid by pushing items “off budget,” by instituting new approaches for financing capital expenditures, or by requiring the private sector to take over some of its budgeted functions through regulatory devices, all in an effort to free up resources.

The Balanced Budget. A third policy response to the taxpayer revolt is the application of the balanced budget rule to the federal government—the elimination of federal deficit spending.

There are two strengths in a balanced budget approach to slowing government growth. First, a balanced budget requirement would tighten the discipline on a Congress widely viewed as pro-spending. Senators and Congressmen would be less eager to refinance old programs or to introduce new legislation if they had to raise taxes to finance these expenditures. Elimination of deficit spending would also curtail the steadily mounting interest costs on the national debt.

Second, while economists are divided on how much deficits have affected the inflation rate, few argue that budget deficits have not been a contributor. A move to balanced budget controls could also make a dent in inflation by producing a much-needed (and not to be underestimated) psychological signal to consumers and investors that Uncle Sam is putting his own fiscal house in order.

There are, however, formidable weaknesses in the balanced budget approach to limiting government growth. Conservatives quickly point out that a balanced budget requirement would not necessarily keep taxes and expenditures from rising—all they would have to do is meet at the peak. Real or inflationary gains or both would drive up tax collections in good times, and expenditures could rise accordingly.



Liberals argue that a prime weakness of the balanced budget approach is that it takes from the federal government an important instrument of economic stabilization—the use of a budget deficit to fight unemployment and recession.

Finally, it is difficult to achieve a balanced budget due to the tremendous problems of calculation involved in accurately forecasting revenues and expenditures. Correctly predicting tax yields and the level of uncontrollable expenditures is difficult with a stable economy, and close to impossible with an economy in flux. For example, Senator Edmund Muskie has observed that an unemployment increase of one percentage point automatically (without Congressional action) costs the U.S. Treasury \$20 billion in lost revenue and increased social welfare costs. Thus, to keep budgets “in balance,” Congress would be under pressure to overtax and to maintain large working balances.

Proposals to allow Congress to adjust revenues and expenditures at various points during the fiscal year crowd an already burdened legislative agenda, while those which mandate adjustments in subsequent years (e.g., through a tax surcharge) could clash with countercyclical objectives.

Summary. What is the essence of this brief review of the three policies? Most importantly, that each can directly accomplish only one of the three policy goals expressed by disgruntled taxpayers. Expenditure controls, for example, would be the instrument most likely to reduce the rate of growth in government spending. But if the goal of the taxpayer revolt really is a multiple one—including reduced taxes, slower expenditure growth, and balanced budgets—then tax, expenditure, and budget controls are needed.

“ To keep budgets ‘in balance,’ Congress would be under pressure to overtax and to maintain large working balances.”

FOUR POLITICAL STRATEGIES

In considering the means for carrying out these policies, it becomes clear that the choice of strategy can greatly influence both the likelihood of producing the desired fiscal discipline effect and the extent to which it complements or interferes with the attainment of other policy goals. The choice of strategy also can promote or undercut the traditional operation of the political system.

The options range from the highly discretionary ad hoc policy, through various procedural reforms for strengthening accountability, and on to rigid formulations fixed in statute or the Constitution itself. For each we will cover its underlying philosophy, advantages, and disadvantages.

An Ad Hoc Adjustment Strategy (Current Policy). The Administration and the Congressional leadership are currently employing an ad hoc slowdown policy—moderate reductions on the tax side; a slowdown in expenditure growth with funding only for current service levels of most programs, cuts in others, and no major new initiatives. This ad hoc approach is producing a gradual reduction in the budget deficit.

This approach rests on the belief that the basic political and budgetary processes are working in the right direction, that the existing system provides an adequate opportunity for citizens to exert fiscal control through the electoral process and for Congress and the President to respond. A dissatisfied electorate will have its opportunity to throw out the big spenders.

The strongest argument for this ad hoc approach rests on recent evidence that the present system seems to be working in the right direction. The fiscal restraint mood of the nation's taxpayers is strongly reflected in the general fiscal conservatism of the new members of Congress as well as in an increasing number of its senior legislators. Sen. Muskie points out that since the new Congressional budget process has been in place, the federal budget deficit has dropped from 3% of GNP (1975) to a projected 1.2% in 1980; the deficit stood at nearly \$49 billion in fiscal 1978, and has been projected at about \$30 billion for fiscal 1980. The seriousness of recent Congressional debates on the debt ceiling and the balanced budget underscores the fiscal mood of the Congress.

On the executive side, President Carter's fiscal 1980 budget is up only 7.7% from fiscal 1979, less than 1% above the projected 7% rate of inflation. Indeed, when defense spending is set aside, the Carter budget shows negative real growth. Federal government spending

has dropped from 22.6% of GNP in 1976 to a projected 21.2% in 1980, and the President has stated that his goal is to present a fiscal 1981 budget in balance. This gradual reduction in the growth of government spending highlights the second advantage of this ad hoc approach—it avoids the drastic service disruption which might result from severe tax or expenditure cuts.

Policy flexibility stands out as the third advantage of an ad hoc approach to slowing federal government growth. Obviously an ad hoc policy is free to respond to changing conditions and needs; tax cuts can be used to stimulate the economy, expenditures can be increased to meet emergencies resulting from a changing international situation, natural disasters, or extreme swings in the economy, and budget deficits can be reduced to help control inflation.

This same flexibility or discretion, however, is also the foundation for the strongest criticisms of an ad hoc or current policy strategy. The more cynical view of the political system holds that an underlying and strong pro-spending bias in Congress can and will reassert itself as soon as the Proposition 13 fever begins to cool off.

This bias results from the fact that it is easier to say yes than no—that Congressmen get a bigger political payoff from granting expenditures to special interest groups than from dispersing the potential tax savings across a broad taxpaying public, or by reducing the deficit. As Representative Robert Giaimo has observed, “The people you vote against never forget you. The teacher, the nurse, the union member—they are organized and can work against you in a reelection campaign.”

Thus the disadvantage of the current policy approach is that there is no guarantee that fiscal restraint will continue. There are no requirements imposed on the President or Congress, nor even any incentives offered. There are no hard and fast austerity goals to be met by a certain date. Critics of the ad hoc strategy point out, for example, that a balanced budget has been a statutory goal at least since the 1947 Economic Stabilization Act, and was reaffirmed in the Humphrey-Hawkins full employment bill and by the Byrd Amendment to last year's tax cut bill—yet the budget remains in deficit. Government growth, then, could march on under the current ad hoc approach.

A Strengthening of Political Accountability Strategy. The second strategy for achieving a slowdown in government spending involves the imposition of procedural changes in an effort to strengthen the political accountability of elected officials. Representative statutory proposals are:

- Taxation**—Indexation of the personal income tax to prevent unlegislated tax rate increases generated by inflation.
- Expenditure**—“Sunset” legislation that would require Congress to evaluate systematically the

hypothetical \$29 billion deficit in 1979 would have produced a 22.5% cut in all discretionary programs, and thus nearly a \$20 billion cut in defense spending. It is important to note, though, that differing opinions exist as to what percentage of the budget is uncontrollable, while others claim that in the long run all expenditures are controllable.

Direct Constitutional Control Subject to Extraordinary Majority Rule. The move from direct statutory controls to constitutional restraints greatly increases the durability of fiscal discipline strategy. Although use of the Constitution is most frequently

associated with balanced budget controls (deficits prohibited unless approved by an extraordinary majority of both houses), there are also proposed constitutional amendments to limit the growth of income tax collections or expenditures (e.g., not to exceed the rate of growth in the economy unless lid is raised with the approval of an extraordinary majority in both houses).

The philosophy behind the constitutional approach starts with the same proposition as the direct statutory strategy: that Congress is hyperresponsive to special expenditure interests. A counter force to balance this pro-spending bias must therefore be embedded in law. The "constitutionalists" reject the direct statutory

Table II
An Outline of Some of the More Publicized Proposals for Fiscal Restraint

Proposal	Box ¹	Fiscal Policy	Implementation Strategy	Description
Indexation H.R. 365 Rep. Willis Gradison	IB	Tax Control	Strengthen Political Accountability	Indexes the federal individual income tax to offset inflation.
Sunset S. 2 Sen. Edmund Muskie	IIB	Expenditure Control	Strengthen Political Accountability	Establishes a ten-year schedule for reauthorizing all federal programs.
Budget Reform Amendment to H.R. 2534 Sen. Russell Long	IIIB	Balanced Budget Control	Strengthen Political Accountability	Beginning with FY 1981, Congress must consider a balanced budget resolution.
Kemp-Roth Income Tax Proposal S. 33	IC	Tax Control	Statutory	Individual income tax rates would be reduced annually by 10% for three consecutive years, with indexation in following years.
Kemp-Roth Spending Limitation Proposal S. 34	IIC	Expenditure Control	Statutory	Would require that federal outlays be held to 21% of GNP in FY 1980, 20% in FY 1981, 19% in FY 1982, and 18% in FY 1983.
Balanced Budget Proposal S. 13 Sen. Robert Dole	IIIC	Balanced Budget Control	Statutory	Would amend the Congressional Budget Act to require that Congressional resolutions on the budget be in balance; provision for override by 2/3 majority of both houses.
Tax Limitation Proposal H.J. Res. 43 Rep. Tennyson Guyer	ID	Tax Control	Constitutional	Would amend the Constitution to provide that total taxation by the federal government not exceed 15% of GNP; provision for override by 3/4 majority of both houses; also has balanced budget provision.
National Tax Limitation Committee (Friedman) Proposal S.J. Res. 56 Sen. H. John Heinz III	IID	Expenditure Control	Constitutional	Would amend the Constitution to prohibit federal spending from rising faster than GNP; also reduces growth margin when inflation is greater than 3%; provision for override by 2/3 majority of both houses.
Balanced Budget Proposal S. J. Res. 4 Sen. Richard Lugar	IIID	Balanced Budget Control	Constitutional	Would amend the Constitution to require that Congressional resolutions on the budget be in balance; provision for override by 2/3 majority of both houses.

¹ See Table 1 for comparative policy classification.
Source: ACIR staff analysis.

and procedural approaches on the grounds that the political forces which produced a near unbroken record of budget deficits will quickly undo these temporary restraints. Only the higher law of the Constitution will permanently alter the balance.

The primary advantage of the constitutional strategy is, proponents hold, its resistance to change. Majority rule on budgetary matters, it is argued, has not produced the desired results. A two-thirds majority in both houses is a difficult hurdle to overcome, and more than any other strategy guarantees that the instrument of restraint chosen will be implemented, the goal met, and on schedule. Presumably, a two-thirds consensus would emerge in times of serious emergency, including a severe downturn in the economy, and would enable the Congress to respond effectively. This "permanent" counter balance to the pro-spending bias of Congress would, like direct statutory controls, push the Congress toward a more careful review of expenditure items.

The liberals become even more strident in their opposition to controls when confronted with proposals calling for constitutional limits. They see the constitutional provision as a three-way whammy—granting a veto power to a minority in either house of Congress, requiring the ratification of states to revise or revoke the amendment, and producing long litigation delays. Thus, they argue that this constitutional proposal would compound the rigidities of the statutory approach, in effect, placing constitutional "handcuffs" on the Congress.

Conclusion

The purpose of this discussion has been to clarify the issues surrounding alternative proposals for introducing greater fiscal discipline at the federal level. There are obviously no easy solutions.

Each of the three fiscal policies—tax, expenditure, and balanced budget controls—has strengths and weaknesses which vary according to the way in which each is implemented.

The four political implementation strategies—current ad hoc policy, indirect statutory, direct statutory, and constitutional controls—basically involve extremely important tradeoffs between firm enforcement and flexibility; the more rigid the control formula, the less discretion for Congress. This, in turn, can produce conflicts between other policy goals such as economic stabilization, disaster relief, and national security.

The choice of the proper fiscal policy and political strategy are, then equally important.

While some "facts" can help us predict the effect of various fiscal discipline policies, there is no escaping the need to make several tough value judgments.

- Is the pro-spending bias in our political system so strong that we need to set aside the general principle of majority rule?

“ The choice of the proper fiscal policy and political strategy are, then, equally important. ”

- How much importance should be accorded fiscal restraint as opposed to Congressional flexibility?
- Has the need for greater fiscal discipline become of such lasting importance as to justify its enforcement through a constitutional amendment?

In the final analysis, the most appropriate slow-down policy will be determined, as always, by the difficult balancing of fiscal policy ends and political means.

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The Balanced Budget Movement: A Political Perspective

by David B. Walker

From what pollsters, politicians, and commentators tell us daily, most Americans think that government has gotten "out of hand," that there is no one at the throttle, that seemingly there are no throttles.

In a broad sense, Proposition 13 and its offspring elsewhere are one manifestation of this pervasive sentiment. Another, of course, is the drive for a balanced federal budget through constitutional or statutory means. Still another is the campaign to reduce federal revenues as a way to force expenditure reductions. The continuing campaign for "sunset" legislation, the Carter 1980 budget, and the greater seriousness with which members now view and participate in the Congressional budget process provide additional evidence of Washington's awareness of this popular criticism.

Embedded in all these approaches (save for sunset) is the assumption that greater fiscal constraint will restore popular confidence in the national government's sensibility and self-control, that fiscal restraint is a proxy for responsible behavior. To make such an association is to ignore two important factors in our intergovernmental system—the structure of the system itself and the way it functions.

The broader issue raised here is as old as the history of free systems itself: how can government be made representative and responsive, as well as responsible and restrained?

A Legacy of Constraints

The Constitutional Convention of 1787 grappled with this pivotal question as have various state constitutional drafting and redrafting efforts before and since. A range of formal and informal changes in our governmental system since Washington's First Inaugural have attempted to perfect and reconcile one or more of these primary and sometimes conflicting hallmarks of an orderly, free system that also is federative (involving a geographic division of powers).

In a certain sense, contemporary advocates of new constitutional restraints at both state and federal levels are but latter-day adherents of a venerable tradition in our political annals. The Founding Fathers and most of the drafters of the original state constitutions, while faithful to the ideal of popular sovereignty, proclaimed so eloquently in the Declaration of Independence, were not really disciples of direct democracy. Instead, they endorsed the principles of representation and opposed simple majority rule. They did so on grounds that there are certain actions that a majority or even the whole electorate should not do (abolish the constitution, for instance) and there are certain actions that should require a greater majority than a mere 50% plus one.

Thus, the Founding Fathers constituted a system founded on popular sovereignty but geared to curbing the potential excesses of a temporary political majority. This system, of course, includes the combination of a written constitution, the partial separation of powers among the three government branches, the checks that each has regarding certain actions of the others (Presidential vetoes, Congressional overrides by a two-thirds vote, bicameralism, fixed and staggered

terms, and judicial review), and the federal principle with its geographic division of powers.

These cardinal features of our distinctive federal republic were designed to assure that national governmental actions would be limited primarily by internal operations and the relationships of its institutions. External popular checks were acknowledged, of course, but the emphasis that "ambition must be made to counteract ambition" indicates the system would achieve its limited majoritarian goal by largely self-containing actions.

The Critics

Critics of this system of checks and balances have attacked it from wholly opposite extremes.

Too Many Constraints. One group has argued that the system is excessively constraining and a prime deterrent to necessary, timely, or desirable national action.

While history is replete with examples of those who make this argument—from Jefferson to Franklin Roosevelt; Henry Clay to Congressional Democrats in the Nixon era—recent critics point to a number of more recent Congressional legal and procedural hurdles facing an activist President with a supportive political majority. These hurdles include the whole range of informal and formal Congressional procedures and "folkways" (the committee system, seniority rule, Senatorial courtesy and cloture, the House discharge and suspension of rules and procedures). There are others who go beyond the formal institutions and procedures of the national government to those of our nation's political parties and find additional protection built into the heavy decentralized, weak programmatic, and undisciplined features of our national party system. The ever increasing interest group pluralism is also frequently noted as a major constraint.

These analysts then have found a frustration of the popular will, a denial of real accountability, and an absence of meaningful responsiveness in a system that requires extraordinary and prolonged efforts to achieve the concurrence of a wide range of interests and institutions before authoritative action can be taken. "Stasis," "The Deadlock of Democracy," and "impasse government" are but a few of the negative results that these observers have found in our Madisonian system.

Two Few Constraints. The opposite group of critics has contended that the current system provides few, if any, real curbs on an overriding political majority or in periods of deep crisis. The most recent members of this group are those who are currently seeking new constitutional curbs that would add to the obstacles now confronting majorities seeking to act. They join a less numerous and far less prominent group that is probably best represented by John C. Calhoun.

For this great South Carolinian, the complicated Madisonian edifice had been reduced to a shambles by the early 1930s. All the traditional institutions

“ Implicit in current drives to put constitutional curbs on Congressional spending and deficits, as well as requiring extraordinary majorities when voting for an unbalanced budget, is the assumption that the restraints of the traditional checks and balances no longer exist and are not functioning properly. ”

were there and none of their powers had been abolished. But a new institution had arisen: the well organized political party. The operations of a majority party with its emphasis on numbers, powers, and appointments had eliminated the older constraints that had operated internally to frustrate the will of a mere simple majority. A determined, continuing political majority, he thought, could and would negate the separation of powers and checks and balances principles and, in time, the federal precept itself, since ultimately the Supreme Court also would become the creature of this political majority.

Only if the constitution institutionalized a veto system wherein each major interest group could and would check the actions of a numerical majority did Calhoun feel that the representational idea of the framers would be sustained and a system of accommodation and adjustment—not just simple majority votes—assured.

Calhoun's rigidly legal (and basically unworkable) theory died for all practical (and constitutional) purposes at Appomattox. But the theory of concurrent majority—wherein the acquiescence of all the major interests represented formally or informally must be had before any really significant new policy initiative can be launched—has lived on. It has been called an "informal, highly elastic, and generally accepted understanding," by John Fischer a quarter of a century ago¹ or, in the words of Peter Drucker, "the organizing principle of American politics."²

With these observers, the application of this principle was descriptively realistic, as well as systemically idealistic, and its chief byproducts were moderation, accommodation, a special brand of responsibility, and nonfanatic, nonideological politics.

A Constrained or Unrestrained System?

Clearly the mood of the country today is more in line with the second group of critics.

¹John Fischer, "Unwritten Rules of American Politics," *Harper's Magazine Reader*, Chicago, IL, Boston Books, 1953.

²Peter Drucker, "A Key to American Politics: Calhoun's Pluralism," *The Review of Politics*, Vol. 10, No. 4, South Bend, IN, Notre Dame University Press, October 1948, pp. 412-426.

Implicit in current drives to put constitutional curbs on Congressional spending and deficits, as well as requiring extraordinary majorities when voting for an unbalanced budget, is the assumption that the restraints of the traditional checks and balances no longer exist or are not functioning properly. Explicit is the belief that Congress' internal curbs on spending and its allied interest groups are not effective or non-existent. Hence, the need, as some view it, for constitutionally required extraordinary majorities to sanction a federal budget deficit.

As Senator Richard Lugar (IN) has explained it:

The heart of the overspending dilemma is political and structural. The growing awareness by numerous groups that they can organize successful raids on the public treasury, and their increasing sophistication in doing so, has rendered a simple majority for the spending of public money far too easy to attain. The pressures for more spending are as intense and tightly focused as a laser; the sentiment for restraint is as diffused as ceiling light.

In situations where restraint is difficult and pressures intense, an often-used legislative device is the super majority—the requirement of more than a mere 50% plus one vote. That requirement is ideally suited to the most crucial single decision made by Congress each year, passage of the federal budget.

But why should an extraordinary majority requirement be necessary in a system which only a brief time ago was described by nearly all of its closest observers as one that was dominated (if not cursed) by the informal application of the concurrent majority principle? Why the need of raising the specter of Calhoun's constitutional rigidities, if Calhoun's concept informally is already operational?

The answer may be that Calhoun's veto group politics apply to certain issues and under certain circumstances and that a new style of coalition-building politics operates with still other issues and under other circumstances. More specifically, old style, veto group politics still seem to apply when wholly new policy questions are debated for the first time, yet once there has been a federal piercing of a policy or a program barrier through an enactment, then a special brand of incremental, cooptive politics comes into play in the second, third, and fourth rounds of renewals and appropriations. But more on this later.

The Dynamics Behind Recent Developments

To arrive at a better understanding of how this complex, confusing, if not schizophrenic (to borrow a James Q. Wilson description) condition arose, other recent developments need probing. Our present perplexities can be traced to four fundamental dynamics relating to political ideas and issues, organized interests and even disorganized interest groups, representation and representatives, and the legislative process and its product.

Political, Social Changes. Perhaps the most dramatic of the recent developments has occurred in the realm of political ideas and issues. Over the past decade and a half, most of the lines of demarcation between what is a purely private issue and what is a public concern have eroded badly—to the point where some would say that they have been erased completely. Hardly any facet of our society's primary unit—the family—has escaped public scrutiny, debate, legislative enactments, and court cases. Other social institutions have experienced a similar fate. Witness the politicized position in which private institutions of higher education, our religious bodies, the great foundations, and even some of our fraternal and athletic associations now find themselves. How much of this trend is a product of the progressive weakening of many of these institutions and how much of it hinges on radically transformed concepts of individual rights and of the "police power" of governments is open to debate. But it is unarguable that the orbit of what is political and public has expanded massively since the mid-1960s.

Similarly, there has been the steady erosion of any real distinctions between what is a state and local issue and what is a federal concern. The last genuine efforts to debate and define national purposes and aid programs in a constitutional context took place in the 1950s and early 1960s. The need to defend or rationalize new federal assistance efforts vanished in the mid-1960s with enactment of a wide range of aid programs (over 240) by the 89th and 90th Congresses, several of which involved wholly new departures for the national government and some of which were novel to any government. While many of these were limited in their scope and appropriations, the "legitimacy barrier" had fallen. Hence, subsequent actions in these program areas, while frequently more expensive, intrusive, and specialized, were not viewed as major departures from the largely collaborative and simple purposes of the initial legislation. Instead, they were treated largely as mere extensions of the original enactments.

In the 1970s, the federal influence spread still further through involvement in more and more sub-functional areas, new regulatory thrusts, sustained stimulation of greater state and local program and personnel endeavors, and greater efforts to achieve more supervisory authority. As a result of this increased federal activity, the bounds of the national government's current domestic agenda span issues of concern to neighborhood, municipal, or county councils, state legislatures, and the U.N. General Assembly—with concerns of a national legislative body occasionally sandwiched in.

Interest Group Politics. Not unrelated to these changes in the scope of what is "public" and what is "national" are equally pronounced shifts in the role of interest groups in American politics. Political scientists writing before the mid-1960s generally described this role as one of "crucial conditioner" of

the American political system. This view—and their material—now seems dated, if not dubious.

Today's pressure groups bear only a faint resemblance to their predecessors of less than a generation ago. In the earlier period, only those interests that were large, organized, and relatively well financed were able to pay the price of participating in national politics, and this meant that those representing basic economic forces (i.e., business, labor, agriculture, and medicine) tended to dominate this scene. Today, all types of issues, organizations, and movements are represented. There has been, as economic historian Douglas C. North has phrased it, "a drastic reduction in the cost of using the political process,"³ and all manner of groups have taken advantage of the bargain.

It is the advent, then, of newer types of pressure groups concerned with largely social, moral, and environmental topics along with the growing proliferation of programmatic groups and the final arrival of all state and local government associations that has created the impression—and the reality—of contemporary Washington awash with specialized interests.

The new interest groups share some of the objectives of the pre-1960 groups such as subsidies, favorable regulations and court decisions, preferential tax programs, as well as program (typically categorical) enactments, and expanded reenactments (as well as earmarks). But they frequently want more. Commonly sought items include the advancement of certain social objectives by conditions attached to grant programs and to procurement, the establishment of Executive Branch agencies and units based on demographic—not economic—characteristics of our population, the promotion of procedures in governmental and intergovernmental bureaucracies that ostensibly will sensitize them to one or more pet pressure group concerns, the promotion of greater public visibility, and the achieving of better access to new funding sources as well as to the national media.

The near eclipse of the party mechanisms in and out of Congress, the frequently fluctuating, yet steadily issue-oriented mood of the electorate, along with the easier access to the Presidency, bureaucracy, Congress, and the courts (when compared to the closed door, or partially closed door conditions of a generation ago) have combined to provide expanded opportunities for pressure group campaigns of either the single or multi-issue variety.

Above all, perhaps, hardly any of these groups now can be discounted as irrelevant, unimportant, or irresponsible since practically all of them (even if their formal membership base is narrow to nonexistent) can claim fairly accurately that a body of public opinion supports their particular position. Few Washington politicians in this age of freshman and sophomore Senators, Congressmen, and department heads are openly willing to controvert their respective claims.

“ Today's pressure groups bear only a faint resemblance to their predecessors of less than a generation ago. ”

The current interest group scene in Washington is a not-to-cloudy mirror image of the profuse specialized pluralism of the nation as a whole. For some, this is as it should be, in that countervailing forces have established to negate the actions of the traditional establishment interests. For others, the national government resembles more a vastly expanded representative New England town meeting.

Representation. The third dynamic involves representation as a principle of American federalism and our national representatives as the people's spokespersons in Washington. Both have experienced major changes since the early 1960s.

Perhaps the most important shift in the representational concept is the growing popular habit of rejecting the legitimacy of the very process by which representatives are selected. Despite populist-oriented efforts to democratize these processes both in the Presidential and Congressional arenas, the low voter turnouts and the growing awareness of the influence of appointed national officials have combined to cast a long shadow of doubt over the significance and representativeness of these electoral contests. Hence, the greater aggressiveness of interest group activity, the ill-concealed contempt on the part of some for the Congress, the increasingly skeptical view of the President's role as tribune of the people, and the much more steady focus by nearly all on the administrative process and access to it.

Elections, of course, are not ignored, but they now are only one facet of any group's effort to influence the national government. Thanks in large part to the broadened scope and increased influence of pressure groups, all interests in Washington can lay claim to being "representative" of some group and the formal, duly elected representatives of the people are having increasing difficulty in asserting a superior, more legitimate claim to that designation.

The people's formal representatives in the Congress today clearly have an infinitely more complicated task in discharging their representational function than their predecessors in the 1950s or early 1960s. Their constituencies are much more heterogeneous; today's issues are much more panoramic and cross-cutting; Washington-based interest groups are much more numerous and assertive; and the formal and informal changes in Congress along with the relative lack of tenure on the part of a majority of the members have left most of them in an embarrassingly exposed position. And, all this in an era that questions some basic assumptions of the representational principle itself.

³Quoted in James Q. Wilson, "American Politics, Then and Now," *Commentary*, Vol. 67, No. 2, New York, NY, American Jewish Committee, February 1979, p. 41.

The National Decisionmaking Process. A fourth fundamental shift since the mid-1960s is reflected in the process and product of current national decision-making. The process, of course, is one that has become heavily overburdened. The expanding concerns of the national government and the volume of legislation with abbreviated debates, inadequate legislative oversight, and excessive demands on a member's time and private life have combined to form a legislative process that gives only a hint of keeping up with the dynamics now built into it.

To further complicate matters, the process currently involves two contrasting stages. The first relates to consideration of entirely new public issues; and, here, ideology, questions of the appropriate federal role, veto group politics, procedures to protect minorities, and delay still come into play.

The second stage involves renewals and reauthorizations, and the stakes are frequently high. Players—each with something to lose—include those pressure groups actually or potentially associated with the program (or its general functional area), affected administrators and recipients, the range of interests on the substantive and funding committees (or subcommittees) and sometimes a President and a Cabinet secretary. Questions of legitimacy, overall direction, and impact typically are not accorded probing attention. Instead, the size of outlays, to whom, under what conditions and, above all, what additionally is needed to establish a solid coalition for reenactment—these are the issues that dominate this now major portion of national lawmaking.

The politics of cooption, then, are paramount in this renewal phase of the process. Hardly a specialized interest or particular issue subsumed under the functional area affected by a reauthorization is ignored, and final votes on the typically omnibus measures usually exceed the two-thirds mark with little evidence of ideology or mere issue orientation reflected in its passage. Recent enactments in the areas of primary and secondary education, vocational rehabilitation, and public health are but a few of the examples of multifaceted measures with numerous titles, mandated procedures, and conditions, and a new range of specialized and general beneficiaries. Old style veto group politics in these instances has been replaced with a new style (but not totally unfamiliar) brand of logrolling.

“Perhaps the most important shift in the representational concept is the growing popular habit of rejecting the legitimacy of the very process by which representatives are selected.”

What product results from this process? In a word, it is “hyperlexis,” to borrow Bayless Manning’s term.⁴ What has resulted is a “pathological condition caused by an overactive lawmaking gland,” as Manning defines it.

Functionally, this hyperlexis at the national level has produced grant statutes that deal with practically every aspect of what used to be deemed wholly state or local (or even private) program concerns, with nearly every activity of domestic American government intergovernmentalized as a result.

Fiscally, it has generated, in this decade, increases in direct federal expenditures and in assistance outlays which have surpassed the rate of growth of the Johnson years, and it had a stimulative effect on state and local expenditures and personnel at least through 1974. Moreover, until the Congressional budgeting process, it never really forced a confrontation between estimated revenues and projected outlays.

The Current Dilemma

Thus, fundamental changes in political ideas and issues, in the interest group basis of contemporary national politics, in our understanding of the representative principle, in the behavior of our representatives, and in the national legislative process provide a set of causal explanations as to how we got where we are today.

Now we need to know what to do. There are three possible approaches. The two most commonly discussed are fiscal in nature. The third offers a much broader, systemwide dimension.

Constitutional Revisionists. Advocates of this school of thought believe that a constitutional amendment, complete with an extraordinary majority vote, is the only reliable method of instilling discipline into what they feel to be an undisciplined, simple majority decisionmaking process. This group notes the greater power of special interests, the hyper-responsiveness of Congress and the breakdown of the old system of internal constraints as a major systemic defect. All this, they warn, takes on alarming dimensions in periods of inflation with their escalating income tax windfalls and strenuous pressure group efforts to keep ahead of earlier appropriation levels. Statutory and procedural alternatives are rejected on grounds that the political forces that have produced the near-unbroken record of budget deficits will undo any such minor reforms. With a required two-thirds or better vote for an unbalanced federal budget, old style veto group politics would reappear, they contend, and discipline would deliberately be reintroduced into the system.

Incremental Fiscal Reformers. The other group of fiscal conservatives rejects the amendment remedy as being too drastic, too rigid, and too oblivious of real

⁴Bayless Manning, “Hyperlexis: Our National Disease,” *The Congressional Record*, Washington, DC, U.S. Government Printing Office, March 16, 1978, pp. S3948-3952.

world corrective forces already at work in the system. The amendment approach is too drastic, they feel, since our basic character in its entirety would be up for potential revision.⁵ They also attack the rigidity of the proposed remedy, stressing its potentially disastrous effects in times of recession and of crisis (even though some of the proposed amendments afford special opportunities to surmount such difficulties).

Equally important, many in this group find the means to achieve greater fiscal responsibility in some of the very political dynamics that the constitutional amendment advocates condemn. Washington's greater responsiveness, the greater ease in establishing a new interest group base, and the new style pragmatism and eclectic voting behavior of many Representatives and Senators have become, for this group, the practical bases for effectuating incremental, yet important, responses to the call for reducing the deficits and achieving slow growth.

The President's proposed "no growth" (in terms of inflation) budget, the recent Congressional debates on expanding the debt and especially on the first budget resolution, the fiscal conservatism of many of the junior members (regardless of their ideological or party label), the recently acquired retrenchment belief of some of the senior members, and the heightened aggressiveness of existing and recently arrived economy-minded groups sometimes are cited to support the contention that the system still is restrained, responsive, and responsible. Some in this group also stress that the votes on the budget resolutions force a new kind of riveted Congressional attention to overall fiscal actions and these help to undercut the spendthrift ethic that seemingly (if not actually) dominates the reauthorization and continued appropriations processes. Countervailing forces of fiscal constraint, then, are emerging, so their basic argument runs, and reasonable, nondisruptive remedies to the dilemma of deficits will be forthcoming.

Systemic Reformers. Apart from these two schools of current opinion, however, stands a third—one that believes that both, perhaps out of desperation, are dealing largely with symptoms, not the real sickness. Most in this group concede that heavy federal outlays and deficits are important national issues, but they warn that an exclusive preoccupation with them in no way addresses the root problem. For them, recent political developments have produced a new, feebly functioning, poorly programmed, badly managed, inadequately accountable nonsystem of intergovernmental relations, which also happens to be excessively expensive. They point out that today's nonsystem represents the national government's primary efforts in the domestic arena and that budget cutting is only one of many weapons that must be utilized if some resemblance of management, some hint of cost ef-

fectiveness, some signs of political accountability in it are to be regained.

Budget cuts, they point out, will not necessarily involve a sorting out of the effective from the ineffective programs. They need not engender a debate or a decision over what is genuinely a national concern. They need not enforce a greater discipline on cooptive politics and on interest groups who have the habit of always seeking more. They need not involve anything more than a cross-the-board proportional cuts with no reassessment of national priorities, no gauging of the real impact of programs, and no weighing of the actual (and potential) fiscal/servicing positions of the states, their localities, and the private sector.

These critics of the current federal role in our federal system clearly focus as much on critical managerial, programmatic, structural, political and basic attitudinal concerns as they do on money matters. If the running debate over deficits generates some grant consolidations, helps eliminate doubtful, if not debilitating programs; restrains the tendency to run amuck with regulations; and restores the capacity to deny funds to the fanciful and the freeloaders, then some real remedies will have been found. Put differently, if the debate triggers a sober sorting out of what managerially, fiscally, and ethically is within the reasonable and realistic reach of the national government, then, in their view, some of the most enervating effects of recent political developments will have been checked.

Will the emerging countervailing forces of constraint be powerful enough and penetrating enough to go beyond the basics of budgets to rebuilding the system itself? This is the key question, these reformers pose. If these deeper issues are not faced, they fear it will make little difference which of the fiscal groups superficially prevails.

Hopefully, the emerging process of "accommodation and adjustment," to borrow Calhoun's phrase, will recognize that his ideal of political and governmental constraint now has attitudinal, party, administrative, regulatory and programmatic, as well as fiscal, dimensions. A single constitutional amendment or the mere strengthening of the fiscally conservative bloc in Congress, however, is a feeble guarantee, they warn, that these other facets of our enfeebled federalism will even be considered. Yet at least the current climate of discontent, they concede, is a good one in which to raise these basic issues.

⁵Efforts to flesh out this option provided in Article V of the U.S. Constitution and to regularize as well as to restrict the resulting process date back to 1967 and the pioneering work of former Senator Sam Erwin. Bills now pending that would achieve these goals include S. 3 and H.R. 1664 (96th Congress).

David B. Walker is ACIR Assistant Director for Governmental Structure and Functions.

Senator Sasser, Governor Riley Named to Advisory Commission

U.S. Senator James Sasser of Tennessee and South Carolina Governor Richard W. Riley were named to ACIR in March.

The appointment of Sen. Sasser, chairman of the Senate Intergovernmental Relations Subcommittee, continues the long history of a link between the ACIR and the subcommittee established by Senator Edmund Muskie (ME). He was appointed to the Commission by Vice President Mondale, serving in his capacity at President of the Senate.

Gov. Riley served on the Commission from 1977-78 as a private member. Prior to that he served in the South Carolina House of Representatives and Senate for 13 years. He was elected Governor in November 1978.

Gov. Riley was selected by the President from nominees submitted by the National Governors' Association.

Commission Urges Revenue Sharing Renewal, Proposes Changes in Citizen Participation

In its meeting March 23, the ACIR adopted recommendations in two key areas: general revenue sharing and citizen participation requirements.

The Commission urged the Administration to fully support, and the Congress to renew the general revenue sharing program, retaining as recipients both state and local governments.

Further, the Commission recommended that, in light of inflation, provisions be added so that the purchasing power of the general revenue sharing dollar would be maintained.

The Commission made its recommendations after reviewing the changed fiscal conditions of federal, state, and local governments as well as the acute fiscal pressure currently felt at the federal level to slow governmental growth.

"These trends increase rather than reduce the need for flexible, unrestricted aid to the state and local sector," said the Commission. "It is clear that the unrestricted aid provided in revenue sharing is the best means to this end."

The ACIR first supported the concept of general revenue sharing in 1967. It reaffirmed its support for the program in 1972 and 1974.

The Commission also made several key recommendations relating to citizen participation. It recommended that governments at all levels provide sufficient authority, responsibility, resources, commitment, and leadership for effective citizen participation in their own activities, including budgeting and financial decision-making, in addition to the elective political process.

Its primary recommendation dealt with the over 150 federal aid requirements that mandate certain citizen participation procedures at the state and local levels. The Commission urged passage of legislation setting forth general citizen participation policies to be applied consistently throughout the federal aid system. In addition, it recommended that the President designate a single Executive Branch agency with authority to ensure the consistent application and evaluation of these policies in the administration of federal aid programs.

Following a briefing by Senator William Roth (DE), the Commission endorsed the "Federal Assistance Reform Act" (S. 878), a measure sponsored by Sen. Roth and others, which would implement several key ACIR recommendations to improve federal grant management.

In another action, the Commission directed the ACIR staff to study and report on the full range of alternative ways to restrain federal taxing and spending including the constitutional amendment requiring federal budget balancing that has been called for by numerous state legislatures.

It considered a staff report on federal aid bias dealing with the possibility of using a "representative tax system" as a fiscal capacity measure and of incorporating a "cost of government" index in federal aid formulas. Following some discussion, the Commission decided to postpone action on these issues until a later time.

At the urging of Robert Carswell, deputy secretary, Department of the Treasury, the Commission agreed to consider the area of tax exempt state and local bond issuances for home mortgages. The ACIR role will be to evaluate current research in the area of tax exempt mortgage financing and

develop policy recommendations for the use of tax exempt bonds.

ACIR Grant Reform Recommendations Contained in New Senate Measure

A bill designed to restructure and improve the federal assistance system has been introduced in the Congress by Senators Roth (DE), Nelson (WI), Danforth (MO), and Baucus (MT). The "Federal Assistance Reform Act" (FARA), S.878, was drafted by the Senate Intergovernmental Relations Subcommittee staff with the cooperation of ACIR staff.

Based largely on ACIR recommendations, the FARA proposal combines improved grant management practices, a procedure for structural changes in the categorical system, and standard use of national policy requirements to affect a basic reordering of the federal aid system.

Title I would create a single set of requirements in each of ten national policy areas including environmental quality, equal employment opportunity, and planning requirements. These requirements are now interpreted independently by the various grantor agencies, leading to considerable confusion, increased costs, and decreased service delivery at the grant recipient level. Title I, while maintaining the strength and authority of these requirements, would simplify the process by which they are applied.

Title II is an attempt to improve a frequently identified source of grant system inefficiency—the proliferation of categorical grant programs. This title would encourage grant consolidation by authorizing the President to send packages of consolidation candidates to the Congress for its consideration. Congress would be required to pass judgment on the packages within a 90-day period.

Administrative packaging of grants in the same project area is a third means contained in FARA for improving the federal aid system. Title III would renew, rename, and revise the rather weak Joint Funding Simplification Act of 1974 to encourage and expedite use of the joint funding process whereby recipients can receive funds from various grant programs to achieve a single purpose or goal.

Title IV of the measure would enhance the planning capability of state and local government by encouraging the provision of spending authority for federal aid at least one fiscal year in advance of the fiscal year in progress.

The fifth title of the bill would amend the Intergovernmental Cooperation Act of 1968 to encourage federal agency use of the single state agency waiver provision, establish a standard maintenance of effort provision, and provide for better information about the availability of federal aid funds.

Introduction of FARA in the House of Representatives is expected shortly, and hearings on the bill are anticipated this summer.

ACIR Financial Management Project Offers Technical Assistance to States

State technical assistance in areas varying from fiscal notes to investment pools will be provided to states thanks to an ACIR project to help states improve their state-local financial management systems.

The selection of these states constitutes the third and final phase of a project funded by the Department of Housing and Urban Development entitled State Initiatives in Local Financial Management Capacity Building. The project, which has drafted or revised 19 model state bills in the area of financial management, is a coordinated effort of the Commission, the National Conference of State Legislatures, and the National Governors' Association.

The National Governors' Association will work with the following states:

- **Florida** which has identified four areas where NGA and ACIR can provide technical assistance: financial emergencies, pensions, audits, and an alternative bond validation process;
- **Michigan** which will be provided technical assistance on municipal finance, the role of the state in the fiscal affairs of local governments, and implementation of a state mandates provision;
- **New Hampshire** which will work on local government ac-

counting, auditing, and financial reporting as well as develop and institute a fiscal notes procedure;

- **Missouri** which has requested technical assistance to emphasize fiscal relief to local governments, a reorganization of state aid programs and programs of state compensation to local governments for state-owned property; and
- **Arkansas** which will work with NGA and ACIR on its local government accounting, auditing, and financial reporting system, in conjunction with a review of its state aid system; will set up a commission to review its pension system; and will prepare to review constitutional limitations on state and local borrowing and local taxing powers. A commission will also be established to explore the adoption of other bills contained in the financial management package.

The National Conference of State Legislatures has already begun short-term technical assistance in three states. ACIR and NCSL will provide services to those states as follows:

- **New Hampshire**—A special committee on fiscal notes has been established to review the possibility of such legislation with a small staff. A series of monthly meetings has been held since March and legislation developed through those sessions will be introduced shortly;
- **New York**—The committee staff of the Assembly Ways and Means Committee is working with NCSL and ACIR to review pooled insurance possibilities in the state. Legislation will be developed and introduced based on ACIR's model bill and a review of legislation in other states; and
- **Massachusetts**—A special committee has been established to prepare state mandates legislation and computerize mandates in the areas of education, public health, and public works.

In addition, ACIR will provide technical assistance to states considering legislation in the areas covered by the model legislation.

Finally, HUD, ACIR and several public interest groups will co-sponsor regional conferences on local government financial management. The first conference will be held beginning June 7 in Detroit.

ACIR Staff Testifies on Law Enforcement, 1980 Budget, and GRS
ACIR assistant directors recently testified before Senate Budget and Judiciary Committees and the House Subcommittee on the City on three timely issues: law enforcement, fiscal issues relevant to consideration of the 1980 budget, and the states and general revenue sharing.

On February 9, Assistant Directors David Walker and Carl Stenberg testified before the Senate Judiciary Committee on S. 241, the "Justice System Improvement Act of 1979," a measure to restructure and reauthorize the Law Enforcement Assistance Administration (LEAA).

All in all, the two said the bill offers "significant potential for developing better intergovernmental relationships in the justice area. It does not repeat the mistakes of the past, and for the most part does build on what has worked successfully."

Assistant Director John Shannon testified before the Senate Budget Committee, March 16, on current fiscal issues that affect the current and future intergovernmental system.

On May 3, he testified before the House Subcommittee on the City on the states and general revenue sharing.

Shannon shared with the subcommittee the Commission's recent position in support of maintaining the portion of revenue sharing going to states in spite of the marked improvement in their general fiscal position.

"From the standpoint of strengthening and maintaining the federal system, exclusion of states from general revenue sharing would be a devastating blow," he said. "It would serve as one more sign that Washington has little interest in recognizing the states' pivotal role in the federal system."

And Briefly: Books

The first publication is a recent report of the Advisory Commission on Intergovernmental Relations, Washington, DC 20575. Single copies are free.

A Catalog of Federal Grant-in-Aid Programs to State and Local Governments: Grants Funded FY 1978 (A-72).

This report is an update of ACIR's 1975 catalog of federal grant-in-aid programs. Information given for the 492 categorical aid programs includes U.S. Code citation, grant type, formula factors, maximum federal share, purpose of the grant, and administering agency. Tables indicate where changes have occurred since 1975 for general characteristics including type of grant, eligible recipient, and administering agency.

The following publications are available directly from the publishers cited. They are not available from ACIR.

Domestic Consequences of United States Population Change, U.S. House of Representatives, Select Committee on Population, U.S. Government Printing Office, Washington, DC 20402.

Tax and Expenditure Limitations, 1978, National Governors' Association, Center for Policy Research, Hall of the States, 444 North Capitol Street, Washington, DC 20001. \$3.00

Development Needs of Small Cities: A Study Required by Section 113 of the Housing and Community Development Act of 1977, by the U.S. Department of Housing and Urban Development, U.S. Government Printing Office, Washington, DC 20402.

Governing the American States: A Handbook for New Governors, National Governors' Association, 444 North Capitol Street, Washington, DC 20001.

State Budgeting in Ohio, by Richard G. Sheridan, Ohio Legislative Budget Office, 20 East Broad Street, Columbus, OH.

Indexation: A Selected Bibliography, by Felix Chin, Vance Bibliographies, P.O. Box 229, Monticello, IL 61856. \$3.00

The Sunbelt Issue: The 'Decline' of the North and the Rise of the 'South,' by John P. Worsham, Jr., Vance Bibliographies, P.O. Box 229, Monticello, IL 61856. \$1.50

Congress and the Budget, by Joel Havemann, Indiana University Press, 10th and Morton Streets, Bloomington, IN 47401. \$12.95.

Urban Policy and Politics in a Bureaucratic Age, by Clarence N. Stone, Robert K. Whelan, and William J. Murin, Prentice-Hall, Inc., Englewood Cliffs, NJ 07632. \$9.95.

Citizen Participation in America: Essays on the State of the Art, by Stuart Langton, Lexington Books, D.C. Health and Co., 125 Spring Street, Lexington, MA 02173. \$12.95.

Can Government Go Bankrupt?, by Richard Rose and Guy Peters, Basic Books, 404 Park Avenue South, New York, NY 10016. \$12.50

Regional Impacts of Federal Fiscal Policy, by Thanos Catsambas, Lexington Books, D.C. Health and Co., 125 Spring Street, Lexington, MA 02173. \$14.00.

Improving Management of the Public Work Force: The Challenge to State and Local Government, Committee for Economic Development, 477 Madison Avenue, New York, NY 10022. \$5.00.

Proposition 13: Prelude to Fiscal Crisis or New Opportunities?, U.S. House of Representatives, Committee on Banking, Finance and Urban Affairs, Subcommittee on the City, U.S. Government Printing Office, Washington, DC 20402.

Small Cities: How Can the Federal and State Governments Respond to Their Diverse Needs?, U.S. House of Representatives, Committee on Banking, Finance and Urban Affairs, Subcommittee on the City, U.S. Government Printing Office, Washington, DC 20402.

State and Local Budget Surpluses and the Effect of Federal Macroeconomic Policies, U.S. Congress, Joint Economic Committee, Subcommittee on Fiscal and Intergovernmental Policy, U.S. Government Printing Office, Washington, DC 20402.

Goodbye to Good-Time Charlie: The American Governor Transformed, 1950-1975, by Larry Sabato, D.C. Heath and Co., 125 Spring Street, Lexington, MA 02173. \$20.00.

Regional Growth and Decline in the United States: The Rise of the Sunbelt and the Decline of the Northeast, by Bernard L. Weinstein and Robert E. Firestone, Praeger Special Studies, 200 Park Avenue, New York, NY 10017. \$15.95.

Government Budgeting: Theory, Process and Politics, edited by Albert C. Hyde and Jay M. Shafritz, Moore Publishing Co., 701 South Gunderson Avenue, Oak Park, IL 60304. \$10.00.

Financing an Urban Government: The Final Report of the District of Columbia Tax Revision Commission, Office of the Secretary, Council of the District of Columbia, 1st Floor, District Building, 14th & E Streets, NW, Washington, DC 20004. \$3.00.

Studies and Papers Prepared for the District of Columbia Tax Revision Commission, U.S. House of Representatives, Committee on the District of Columbia, U.S. Government Printing Office, Washington, DC 20402.

State and Local Government Finance and Financial Management: A Compendium of Current Research, edited by John E. Petersen, Catherine Lavigne Spain, and Matharose F. Laffey, Municipal Finance Officers Association, 180 North Michigan Avenue, Chicago, IL 60601. \$18.00.

State Policies and Federal Programs: Priorities and Constraints, by Peter Passell and Leonard Ross, Praeger Special Studies, 200 Park Avenue, New York, NY 10017. \$16.95.

Limiting State Taxes and Expenditures, Council of State Governments, P.O. Box 11910, Iron Works Pike, Lexington, KY 40578. \$3.00.

The Legislator's Guide to State Tax and Spending Limits, National Conference of State Legislatures, 1405 Curtis St., Denver, CO. 80202.

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