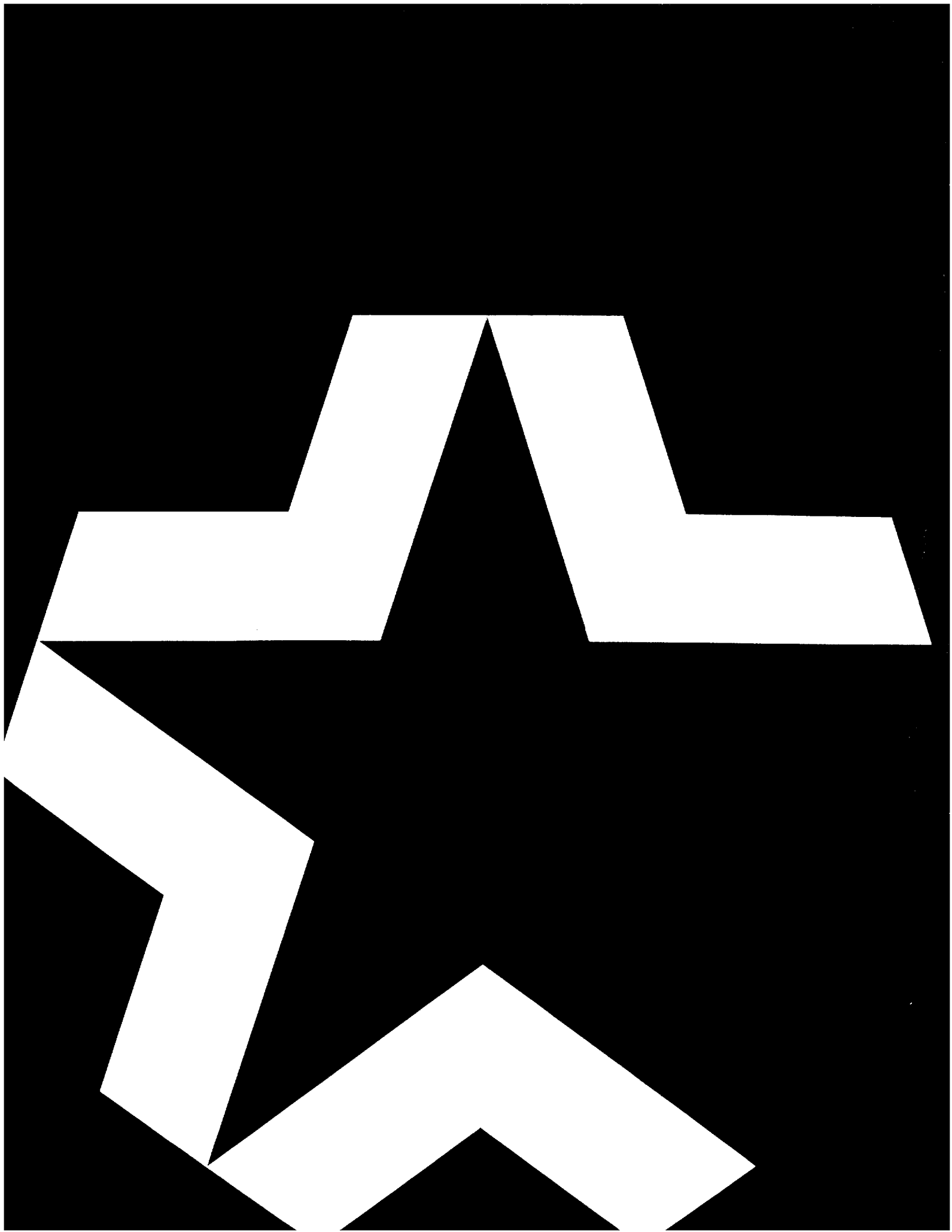


**American
Federalism:**

**Toward
a More
Effective
Partnership**



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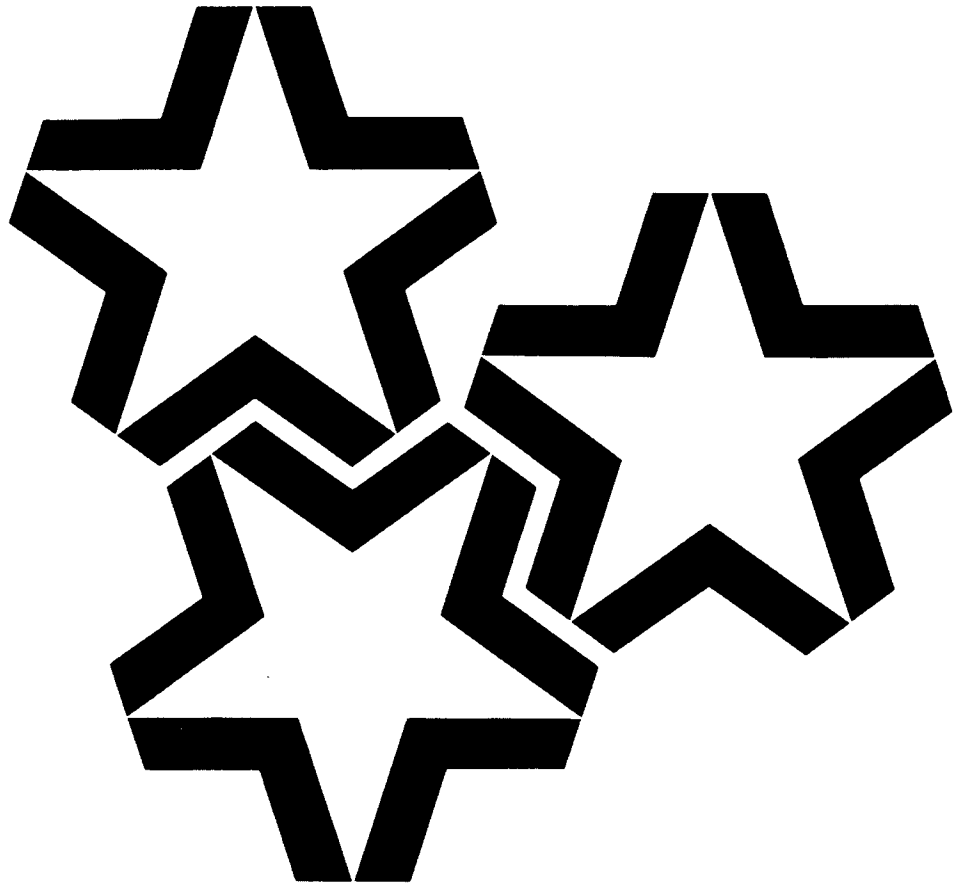


**American
Federalism:**

**Toward
a More
Effective
Partnership**

A Report of, and Papers From
The National Conference of
American Federalism in Action
Washington, D.C.
February 20-22, 1975

The Advisory Commission on
Intergovernmental Relations
Washington, D.C. 20575



In early 1975, the Advisory Commission on Intergovernmental Relations held its first national conference on American federalism. Although the bicentennial has attracted public attention to the historical aspects of federalism, our primary concern was to the system as it is operating at this crucial point in history when the sometimes overpowering problems of the economy, environment, and energy affect all levels of government.

Our conference did not come up with easy solutions or provide any final conclusions. But conference speakers and delegates did identify a set of central challenges, provided a forum for discussion of the major problems and proposed some important alternatives for action.

This volume is intended to share the conference findings and discussions with those interested in the workings and future of American federalism.

Robert E. Merriam
Chairman

ACIR is grateful to all those who participated in the program of the *National Conference on American Federalism in Action* by preparing papers or by serving as session chairmen and speakers or discussants or by being active, thoughtful, vocal delegates. ACIR also extends special thanks to the public interest group representatives and others who served on the conference planning committee. We are indebted to the National Science Foundation for funding certain conference expenditures.

William R. MacDougall, former executive director of ACIR, and Jo Anne Jimenez, his administrative assistant, carried the primary responsibility for organizing the conference. The many expressions from participants saying that the conference was an outstanding success are tributes to their efforts. F. John Shannon, David B. Walker, and Lawrence D. Gilson, of the ACIR staff, also played major roles in planning the conference program. Furthermore every member of the ACIR staff had assignments prior to and during the conference itself.

This volume was edited by Carol S. Weissert, who also wrote the overview. The manuscript was typed by Marinda T. Davis; Franklin A. Steinko was responsible for the printing of the report. Lawrence D. Gilson, director of policy implementation, supervised preparation of this report.

Wayne F. Anderson
Executive Director



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Federalism is a process without required form or practice — a process constantly in flux and under evolution.

Richard Leach, *American Federalism*, 1970.

The purpose of this volume is not to define federalism or discuss its long history or predict its coming glory or demise. These have been done in some detail by others. It is our purpose to look at federalism as it works today — at a time when it is faced with the convergence of several massive problems, resulting from a depressed economy, constricted energy supply, and finite environment. These problems confront all levels, involve all facets of federalism, and cannot be solved by actions of any one government acting alone.

In light of the magnitude of these problems and with the realization that there are no easy answers, the Advisory Commission on Intergovernmental Relations convened its first *National Conference on American Federalism in Action*. The conference speakers and delegates identified a central set of challenges and provided a forum for discussion of the problems facing the federal system. They looked at the present and the past and suggested options for the future. The result was some answers, many alternatives — and a realistic look at federalism in action.

For as Professor Leach and others have stated, the federal system is one constantly in flux and under evolution. The history of the system is marked with decades when decentralization was highlighted and those when centralization was the primary tendency; times when states were considered the ineffective partners and years when localities were circumvented whenever possible. Yet with today's global and nationwide challenges, the nation can no longer afford to have any one of the partners weak — and none can solve the problems alone.

Evidence from the conference indicates that the federal system is standing up to the current challenge. Reformed structure and function of governments are evident in the growing capability of regional instrumentalities and cooperative arrangements among governments to avoid overlapping and assure more effective service to constituents. Governments at subnational levels are assuming more responsibility in providing for individual needs of their cities and have compiled an impressive record of innovative, responsible legislation, and related decisions. And the fiscal system, although under the massive strain of an uneasy national economy, is in a period when the present mix of Federal aid, including general revenue sharing and block grants, is helping state and local governments weather the economic storm. And although cooperation among governmental levels is still far from ideal, recent experience has evidenced increased awareness of the need for and more experimentation toward achieving a more effective Federal-state-local partnership.

Frank Bane, first chairman of the Advisory Commission on Intergovernmental Relations and former executive director of the Council of State Governments, describes it from another angle: "With a federal system we have diversity, without diversity, there is no choice, without choice, there is no freedom." He continued, "the great glory of the federal system is some damn fool at the top can't ruin it."

This section of the report is an attempt to capture the thinking of that meeting as it evolved over the three days. Following this overview are texts of 11 speeches given during the meeting, reprinted in their entirety due to their particularly broad application.



Frank Bane, former chairman of ACIR and former executive director of the Council of State Governments.

“We may be on the brink of an era of creative innovation paralleled only by the Progressive era earlier in this century.”

The Promise and Performance of Federalism

Laying the groundwork for the conference, ACIR Chairman Robert E. Merriam suggested a series of tests to be used in evaluating the performance of the federal system. While providing his own tentative conclusions, Mr. Merriam challenged the conference participants to test the system against their own experience and perceptions. The tests, with the essence of Mr. Merriam's comments, follow.

Does Federalism Protect and Encourage Democracy and Freedom?

Encouraged by the recent election of those people in our society too often left out of the electoral process, Mr. Merriam's answer is yes. For, although the number of persons voting in 1974 was the lowest in the last 20 years, those who did vote "registered some remarkable decisions in opening up the system by electing representatives of groups historically underrepresented in our system." Blacks, women, and Hispanics were elected to high offices at the national, state, and local levels, and advocates of consumerism, strong environmentalists, and open government proponents were elected from coast to coast. The sheer number of positions available and the opportunity to progress to more responsible positions at higher levels are strong features of the American federal system.

In addition, access to voting and citizen participation for both sexes and all races have been opened up, not only through so-called sunshine laws, but also through an increased awareness by both citizens and officials of the importance of the citizens' role in the decision making process.

"Who, then, is to say that the American system is ossified, closed, unresponsive?" Mr. Merriam asked. He answers the question with the observation of a French scholar, Jean-Francois Revel, who said that

the United States was less autocratic, and granted more freedom of expression, of the press in particular, than any other great nation, and certainly his own France; that this nation had the economic wealth to accommodate a highly pluralistic society of free choice for individuals and various subcultures; that its federal government structure was flexible enough to accommodate dynamic new social forces and sound enough to guarantee sufficient stability in the process of rapid change. Mr. Merriam says that even though political parties may not be adequately fulfilling their consensus forming responsibilities, he believes democracy and freedom have been fostered by federalism, particularly "where levels of education and of citizen sophistication are high enough and in a time when such institutions as legalized segregation and rotten borough apportionment have been swept aside."

Does Federalism Result in Government Innovation?

The answer is a clear cut yes, according to Mr. Merriam, who feels that we "may be on the brink of an era of creative innovation paralleled only by the Progressive era earlier in this century." There is reason to believe, he said, "that the creative juices symbolized by the New Deal and the New Society eras have been sapped on the Federal level, that tight Federal budgets will make it less practicable to institute sweeping new national programs, and that the states may be, as was so proudly claimed in the Progressive era, the laboratories of social change in America." The states and their local governments are far more sophisticated than they have ever been before, he said. The state legislatures, in particular, are filled with more urban, better educated, more imaginative people than at any earlier point in this century.

Citizen groups such as Common Cause have had a remarkable impact also, he said, in the passage of broad

campaign spending and ethics legislation in the states. Although they will lose as many battles as they will win, he feels they will provide a "remarkable panoply of thrusts for innovative state action." Such action will range from land use control and consumer legislation to court reform and a challenge to industry oriented regulatory agencies and will likely spread quickly to other states, since he said, "for all the proclaimed diversity of our system, we are more one nation than we think."

Is the Federal System Efficient?

"Based on American experience up to now, we federalists have every reason to be rather humble," Mr. Merriam said. "Our consensus method of reaching decisions is laborious and time consuming. The capacity to plan well for the future, and then act in accordance with plans, is one of our weakest points." So it is sometimes asked, can we really afford federalism? With the thousands of frequently overlapping government units reaching from neighborhoods to the state, there is often duplication of administrative machinery if not provision of service. The opposite question, of course, is whether autocratic systems capable of swift decision are more efficient, or, in the long run, more economical. A single administrative mistake in a large autocracy can be disastrous. Mr. Merriam argues, as do others who follow later on in the program, that the very fact that there are so many governments "relates to what one might call the silent but real promise of American federalism — not only the guarantee of freedom and popular government but also the promise of unleashing human energy through decentralization by freeing a nation of a highly centralized national administration. Local initiative has been, and remains, one of our most enduring strengths."

Does Federalism Promote Equity in the Treatment of All Citizens?

Mr. Merriam says "one of the thorniest problems of American fed-

eralism is achieving equity for all citizens at the same time that allowance is made for diversity within the system." In all fairness, he says, federalism has worked both to foster equity in some cases and hinder it in others. Too often in the past, states and localities were guilty of the latter — especially in areas of racial and ethnic discrimination. The reapportionment decisions and the civil rights acts of the 1960s were responses to equity problems made at the national level. Assuring a certain floor of economic security is another area of national action to increase equity. "Yet one could say, with substantial evidence, that the assurance of civil and economic equity does not depend on a federal system," Mr. Merriam said. But federalism does have some distinct advantages, particularly in protecting the rights of minorities, especially those minorities that are enfranchised and politically articulate — not those who are politically impotent and have suffered under ancient injustices and who cannot enjoy the benefits of legislative slowdown and must rely on the courts. The Warren Court made massive strides in assuring the rights of the dispossessed of America. Yet in recent years state supreme courts have made important moves in this area particularly in the equalization of school funding and related property tax reforms. Still, Mr. Merriam says, American federalism has done a good job in protecting and fostering equity for its citizens — and we can be better satisfied with this record now than we could have been a generation ago. We would hope that in the future, he continued, less reliance will be placed on judicial "mandating" to fulfill what are really legislative responsibilities.

Does Federalism Contribute to the Improvement of the Quality of Life for All Citizens?

Although the definition of quality of life is far from settled, it would probably include such components as undefiled natural environment, clear air and water, health, accessible public transportation, cultural opportunities, and maximum opportunity for individual expression. Yet each technological and social "advance" seems to bring its own problems. Does federalism have anything to say to this problem? Mr. Merriam suggests that it does. "Too often, the effort has been made to suggest national quality of life standards for this huge, multifaceted nation — a macro-level effort doomed to failure because it fails to take into account that we live at the local, the microlevel." The very nature of federalism allows — even encourages — citizen participation in decisions concerning their well being, and such decisions rightfully should be made there, he said. "We should not entrust the national government with broad power to decide, beyond certain minimum economic and environmental standards, the priorities to enhance the quality of life of Americans living in 50 quite different states in 267 metropolitan areas and 3,100 counties spread from sea to sea," he said.

Is the Federal System Strong and Resilient Enough to Meet the Major Challenges of the Present and Future?

In our highly sophisticated and complex society, citizens and governments alike must cope with incredibly large enterprises — big government, big business, big unions, each stoutly defending its perceived self-interest against the lonely individual. Yet it is not only the individual who

may get lost, for today's large interests are many times larger and more powerful than governments. The problem is compounded with the complex, global scale problems now facing this country, ranging from quadrupled international oil prices to worldwide food shortages and inflation — problems that defy solution at the local level. The situation leads to a further question that Mr. Merriam calls the penultimate one: "Can our country conceivably deal effectively with these problems without a degree of centralized authority that will cut deeply into the warp and woof of our delicate federal system?"

In his opinion the country — and federalism — can and will survive. It will survive with a strong and efficient national government, what he calls the bulwark of the system, but also with the diffused power and responsibility resting primarily on the states, the cities, and the people themselves. It is this final power Mr. Merriam calls "the salvation of the federal system." But only if the importance of both is recognized, he said, paraphrasing Chief Justice Chase, can the states remain as indestructible as the Union itself. "And only if this is so can federalism grow and flourish into our third century." With that, Mr. Merriam challenged the speakers and participants at the conference with the same question. Their answers comprise the remainder of this overview.

Concerns Expressed in Small Group Discussion

With this challenge in mind, delegates set about their first task: to discuss in small group sessions the major American intergovernmental problems and possible solutions as they viewed them.

The results of these small group discussions, as compiled and reported by William G. Colman, former executive director of ACIR, dealt with both theoretical and practical

concerns. There were many questions concerning the effectiveness of federalism. Among concerns expressed were:

- Confusion about the roles and responsibilities, both fiscally and functionally, of each governmental level and between public and private sectors. Along this line, Mr. Colman continued, there seemed to be no consensus or machinery to deal with functional priorities and a disenchantment with the "overly marbled" marble cake.
- Apparent disparities between fiscal capacities and service needs partly due to interlocal differences, partly to Federal/state-local differences.
- A need for sensitivity of higher levels of government toward lower levels and more input from lower levels to the higher levels. Of special concern to participants in this area were special interest viewpoints that each level develops; inflexibility of Federal regulations; mandatory responsibilities on lower levels without adequate consideration of impacts and resources; and reluctance to recognize the reality of the urban county.
- Continued proliferation of categorical grants.
- Weak and ineffectual local governments.
- Lack of accountability and credibility at all governmental levels. Of special concern in this area was the need to encourage more citizen participation.
- Other specific issues of concern dealt with lack of a national development policy, need for new measures to combat recession, collective bargaining, lack of effective intergovernmental control of crime, the Federal regional structure, and ineffective legislative oversight at the Federal and state levels.

Regionalism, a subject covered in depth later at the conference, was

another cause of concern. There was a definite need voiced by conference participants for a regional process in urban areas so, as one delegate expressed it, "local actions necessary on a metropolitan scale (such as land use, capital expenditures, pollution control, etc.) can be considered in an open, rational way."

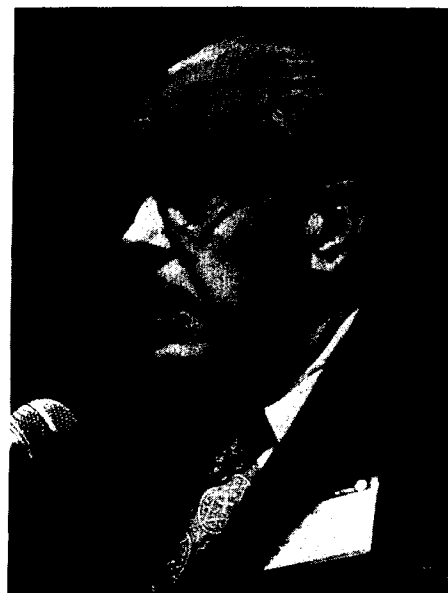
Effectiveness of Federalism

One of the basic questions raised by Mr. Merriam and the small groups dealt with the effectiveness of federalism: Are there too many governments causing too much confusion and with too little coordination? Is there too little governing?

Too Many Governments; Too Little Governing?

Although Indianapolis Mayor Richard Lugar thinks that cooperation among local governmental jurisdictions is a necessary and good thing, he does express concern at the tremendous growth and expansion of regional bodies and special districts. Stimulated by Federal guidelines and requirements, he said the latter often result in quasi-official units whose officials are not elected but exercise considerable authority over a variety of service areas and programs. Thus, Mayor Lugar continues, "the municipal official who is elected must now confront not only the Federal guidelines and officials, the state governmental apparatus, the elected county and township officials, but also non-elected regional officials who comprise a growing tier of government spawned by Federal legislation and state attempts to comply with guidelines."

In addition, Mayor Lugar said, the push for such additional governments often impedes the "much more vital steps of local merger and consolidation and serves to freeze the old boundaries into place."



William G. Colman, former executive director of ACIR.



Dr. Janos Horvath, professor of economics, Butler University, Indianapolis, Indiana.

Governor Daniel Evans of Washington agrees with Mayor Lugar's fears concerning the growing role of non-elected units. He thinks there is a role for regional planning, but he fears the fact that the non-elected body is "one step removed from the direct relationship of people to their elected representatives." He worries about moving away from direct accountability for public actions. Other speakers had various solutions to the problem of too many governments and the coordination problems they pose. These diverse solutions, often broadly categorized under the term "regionalism," provide insight into the variety of mechanisms now in use across the country.

Judge Conrad Fowler, probate judge in Shelby County, Alabama, also supports the concept of general all-purpose government but points out that the alternative to multifunctional regional councils is the even more unattractive special district. He says, "we must reject the notion that a maze of special purpose regional mechanisms is an effective, responsive or responsible approach to handling the mounting planning, financial, and service problems facing practically all of our urban and rural substate regions."

Judge Fowler believes that county government should be modernized and strengthened through state constitutional changes and general legislation providing for charter adoption or for optional forms of government. Such modifications generally result in granting legislative power to the county governing body and lead to a change in structure so that one official emerges as the chief executive or chief administrative officer and a legislative body is assigned the policy making role.

Edward Regan, county executive of Erie County, New York, and **Scott Fosler**, director of governmental studies for the Committee for Economic Development, proposed differing "two tier" approaches as pro-

viding the advantages of both centralization and decentralization. One tier would be a metropolitan area government to provide planning, policy making, and operations for those functions requiring a geographically comprehensive approach; the second tier would provide decentralization to give the community the responsibility for any functions and activities which can be handled at a lower level. **Anthony Astrachan**, free lance writer on Canada and America, described the two tier system as it operates in Toronto. **Howard Hallman**, president, Center for Governmental Studies, Washington, D.C. discussed the importance of neighborhood governments in the two tier system.

Mr. Fosler, in presenting the recommendations of the Committee for Economic Development for a two tier system, said such a model "eschewed the notion that traditionally defined functions of governments could be neatly assigned to one or another of these two levels, but rather recognized the need to distribute functional responsibility according to specific area needs and to promote the sharing of power between each level in the planning and execution of functions."

He warned that metro government is not an end in itself and that there are at least two ways in addition to metropolitan reorganization to achieve some of the same objectives: to improve legal, financial, and administrative arrangements among jurisdictions as they now exist and to improve the management and productivity of existing governments.

Cooperation is the key to the success of the two tier approach in Toronto, according to **Anthony Astrachan**. "The two tier system means that burdens like welfare and police are shouldered by the whole of Metro instead of crippling any one component," he said. It has also saved the central city, he said, "by ensuring that if the mobile middle class moved to the suburbs, it would not be leav-

ing the core to rot." For the middle class continues to pay for the core through property taxes, (each borough or city adds its own mill rate to the Metro mill rate).

Edward Regan, of Erie County, New York, called the two tier government the "logical" approach, yet he said "often grant programs and Federal funds are not supportive of the two tier concept. If the Federal government does not encourage the two tier solution, it should at least not thwart it." Mr. Regan was particularly supportive of the urban county serving as the second (or metropolitanwide) tier.

Howard Hallman, president of the Center for Governmental Studies, Washington, D.C., thinks that unitary metropolitan government may be quite workable and desirable in small metropolitan areas but that multilayer governments will be the pattern in larger metropolitan areas. "And properly so," he said, "for this enables government to be organized in a manner in which scale of operations varies with the service rendered."

This multilayer government would vary from two to possibly even four tiers in the largest areas and would include neighborhood governments to act along with metropolitan and city governments in serving the needs of the citizens, he said. Each layer would perform specific activities and would share power. Mr. Hallman feels that neighborhood government is "better able to counter forces that sometimes have a negative impact upon neighborhood conditions such as unresponsive elected officials, lethargic and unproductive bureaucracies, selfseeking municipal unions, and private businesses which are more concerned with profits than neighborhood life."

Lex Hester, chief administrative official for Jacksonville-Duval County, Florida, feels that the city-county consolidation now in operation in his city is an effective means of provid-

ing services to citizens. Consolidation increases responsiveness in the area of racial equality, he said. "There were no black office holders before the consolidation, even though the county was 21 percent black," he said. "Now blacks are guaranteed seats and have one at-large seat too," he said. He feels the consolidation has also aided the government in its ability to set priorities. In addition, the new government in Jacksonville is making a special effort to provide responsiveness with neighborhood outreach programs, extensive use of advisory boards and public hearings, he said.

Indianapolis Mayor Lugar said city-county consolidation has been valuable to that city because it led to an extraordinary surge in new building, new outside investment capital, a sharp rise in per capita earnings, and a sharp decrease in the number of citizens with incomes below the poverty level. Big league sports, much more entertainment, new hotels, the building of the convention center desired for decades, and rejuvenation of inner city retail sales in addition to suburban retail prosperity all occurred in a five year span following the establishment of Uni-Gov in 1969, he said.

Francis Francois, chairman of the Prince George's County, Maryland, Council and former president of the National Association of Regional Councils, and **John Boland**, chairman of the Minneapolis-St. Paul Metropolitan Council, discussed the use of regional councils to provide consolidated and coordinated functions.

Regional councils provide a means of delivering services to local governments and of attacking regional problems, Mr. Francois said. Yet several things must be assured if regional councils are to succeed in the long run: that the organizational structure of the regional council be improved to make certain that policy is set by local elected officials, not

“If the Federal government does not encourage the two tier solution, it should at least not thwart it.”

“Many people in California think they have said something significant when they state that there are 5,800 units of government there. Our finding was that the numbers mean nothing.”

staff; that clear legal standing be given to regional councils; that local governments be strengthened by making them more capable of identifying problems and delivering answers; and that public support for the concept of voluntary regionalism be improved.

John Boland provided a case study with the metropolitan council he heads. Set up by the Minnesota legislature in 1967, the council has a mandatory membership from local governments and a permanent non-voluntary funding base. The body has the responsibility for overall comprehensive planning, and it has review powers over the metropolitan operating agencies. The council provides physical and social planning, including regional plans and guidelines for health, criminal justice, housing, and aging. It is now completing a study on land use which, if passed by the state's legislature, would require mandatory comprehensive plans for all units of government in the metropolitan area, which will in turn be subject to review and approval by the Metropolitan Council.

In all the previous examples, state participation and support are essential to success. From passing legislation to authorize city-county consolidation to determining boundaries and strengthening financial and administrative contributions to the local government system, the state role is an essential ingredient. As **Mayor Lugar** succinctly expressed the relationship: “The local reformer must be an ally with the state government reformer.”

Yet there are those who do not believe there are “too many governments.”

Robert B. Hawkins, visiting research fellow at the Hoover Institute at Stanford University, is one. “Many people in California think they have said something significant when they state that there are 5,800 units of

government there. Our finding was that the numbers mean nothing.”

“His” finding was that of the Governor's 1974 Task Force on Local Government Reform which he chaired. The finding also stated that the existence of numerous special districts did not create serious problems for the delivery of economical and high quality public services. In fact, Dr. Hawkins indicated the results were often the opposite. The task force concluded that, especially in urbanized areas, the formation of special districts is, in large part, a response to citizen demand for decentralized government that can be easily controlled and that will tailor services to their needs. In addition, he quoted a survey conducted for the U.S. Senate Committee on Government Operations, which found that citizen satisfaction with government increases as the size of governmental unit decreases.

Too Much Role Confusion?

Closely related to this question of jurisdictional fragmentation, of course, are a pair of practical questions: what roles and actual functions are performed by the various governmental units within our 50 state-local systems, and does the present servicing assignment pattern make sense?

Alan Campbell, dean of the Maxwell School at Syracuse University, introduced discussion of functional assignments with the historical observation that “ever since man began designing governmental systems, or thinking about such systems, he has been troubled by the question of what part of the system should do what.” The reason, says Dean Campbell, is that there is no internally consistent theory which can be used to guide the placement of functions or to design a system in which to place the activities of government.

What theory there is comes primarily from political science and economics and a bit from public administration, sociology, and psychology. But, Dean Campbell concludes, these theories

provide little guidance to proper structuring of government systems or assignment of functions. The absence of a perfectly coherent system requires the setting of goals one hopes to accomplish by reordering functions. For Dean Campbell, the guiding principle is "equity," and he feels it is possible to design a system which will maximize equity while not ignoring the claims of other criteria.

Dean Campbell's conclusion is that there are criteria and guidelines but no perfect functional assignments for various levels of government. **Dr. Hawkins** agrees in part. "We must give up the notion that there is some ideal arrangement of function by level of government," he said. "Rather, functions should be analyzed according to a set of criteria that indicates where scale economics are to be realized, where common resource problems and externalities will occur, and what functions citizens desire to control at the local level."

"Some overlapping will always be necessary," said **Robert Merriam**. But he posed a question, "yet must duplication be as excessive as now? What rationality is then left in the federal system and how can citizens possibly know which level they should hold accountable for success or failure in any given policy area?"

Federal Involvement: Too Much or Too Little?

In addition to concern about structure and numbers of governments, there was much discussion at the conference of the need for cooperative efforts and understanding of each government's role and place in federalism. Both practitioners and academicians agreed that there needed to be more coordination among governments.

State and local speakers complained particularly about the Federal government and its apparent lack of concern for the impact of Federal actions on the other governments.

Mayor John H. Poelker of St. Louis

offered an example in the area of transportation when he argued that the cities should have more choice in determining the use of transportation funds. Some localities needed mass transit money at a time when all that was available was money for highways, he said. At long last, there is an urban transit program, he said, that lets us improve and expand our transit services with Federal help, rather than continuing to build additional facilities where they really aren't needed.

Another example of intervention from the Federal government, given by **County Executive Regan**, was that of San Diego where the county with its broader tax base performed social services and welfare functions instead of the city. However, the recently passed *Federal Housing and Community Development Act of 1974* provides funds to the central city, so the City of San Diego is "busy once again hiring social workers for a duplication of services provided by the county. This is an example of the Federal government marching backwards," Mr. Regan said.

Mayor Lugar argued that the Federal government often does things to hurt localities. The mayor cited recent Federal legislation that he calls "ruinous," especially the bill that included state and local government employees in the *1974 National Fair Labor Standards Act Amendments* despite testimony that fire and police protection would be prohibitively expensive and that severe cutbacks in service would result. Ironically, Congress exempted its own employees from the act.

"The pleasures of legislating must be balanced by the pains of taking time to understand enormous and expensive implications and paying the costs created," he said. Large cities,

“Ever since man began designing governmental systems, or thinking about such systems, he has been troubled by the question of what part of the system should do what.”

“A growing proportion of the public business is going to leak out of the national level of government—some of it into international institutions—and a great deal of it into regional, state, and municipal government.”

such as New York, become ungovernable principally because their “own citizens and their elected officials are precluded from taking the necessary remedial measures by Federal and state mandates which may require action that is counter-productive.”

Governor Evans would like to see the Federal government reduce the number of categorical grants and allow states and localities more flexibility in spending the funds. The expense and trouble involved with categorical grants are among the reasons he sees revenue sharing, with its few restrictions and freedom from excessive paperwork, as a more effective form of Federal aid.

One of the findings of the California task force reported by Dr. Hawkins was that Federal intervention into the fiscal and regulatory affairs of localities not only forces local governments to spend monies that they might not normally spend but also forces higher administrative costs on local government in the form of dealing with Federal and state bureaucracies.

Elmer Staats, Comptroller General of the United States, while noting the problems in the administration of Federal assistance programs, sees some hopeful signs that greater coordination is possible. He cited as current examples the *Intergovernmental Cooperation Act of 1968* [which set up issuance of OMB Circulars A-95 and A-98 (now TC 1082)]; the *Joint Funding Simplification Act of 1974*, which permits the use of simplified and uniform administrative rules and procedures when a project requires assistance from two or more Federal agencies; the *Congressional Budget and Impoundment Control Act of 1974*, which attempts to improve the Congressional budget review and appropriation process; and several legislative efforts to consolidate categorical grants, including the *Housing and*

Community Development Act of 1974, the *Comprehensive Employment and Training Act of 1973*, and the *Comprehensive Health Planning and Public Health Service Amendments of 1966*.

Concerns in Carrying Out Roles

Another issue that must be faced in dealing with functions and structures of governments is the method used to carry out the functional roles. Major concerns dealt with at the conference were equity, citizen involvement, and growth management.

Equity

Dean Campbell indicated that the equity criterion is the all important one and should be considered in any functional definition, categorization of governmental activity, or structural reorganization. In order to prevent disparities, he said, large scale governments should be established to incorporate an economic base large enough to capture both the growing and declining portions of that base. Disparities may also be prevented by a distribution of expenditure, which relates service to those most in need and least able to afford purchase of the service. Although there are current policies that promote the equity concern, such as transfer of all or a large portion of the financing of education to a higher governmental level, other efforts, such as general revenue sharing, tend to bolster existing structure and activities which may or may not be equitably arranged.

Harlan Cleveland, director, international programs, Aspen Institute for Humanistic Studies, Princeton, dealt with several kinds of equity, including equity between and among individuals, between individuals and organizations, between private and public organizations, and between levels of government. Although possessing “no magic solutions” to problems of equity between levels of government, he feels “that a growing proportion of the public business is going to leak out of the national level of government — some of it into in-

ternational institutions — and a great deal of it into regional, state, and municipal government." In addition, he is concerned with the equity between the separate branches of government which, he says, has become increasingly out of balance. The executive claim of national security placed on a widening range of subject matter has come "to mean separating Congress from the power to make policy," he said. However, he thinks the new budget process will be the first step toward reversing the flow of power. He also recommends that the claim of executive privilege be defined more specifically and interpreted more narrowly; that composition of White House staff be explained more clearly and the staff members be made accountable to the Congress or the courts for their actions; that the Comptroller General be permitted to act, as an agent of Congress, with the full range of necessary powers such as subpoena supported inquiry and prosecution of executive agents in the courts; and that the Supreme Court be encouraged to interpret the law in timely fashion through advisory opinions.

A practical example of the concern for equity at work on the fiscal front was given by **Governor Wendell Anderson** of Minnesota who described that state's school finance and property tax reforms first enacted in 1971 and extended in 1973. These reforms, described by ACIR as the "Minnesota Miracle," increased state support of school operating costs from 43 to 70 percent, and doubled state school aid from \$660-million a biennium in 1971 to more than \$1.3-billion for the current fiscal biennium.

One of the results of the legislation, Governor Anderson said, was a reversal of the property tax spiral in



the state — a spiral that is ruinous to equity since the property tax is one of the most regressive taxes currently in use in this country. "In the three years before we passed our Fair School Finance legislation, net property taxes on homes and farms rose 74 percent in Minnesota," he said. "In the three years following, net property taxes dropped 8 percent on homes and farms."

Before the bill passed in 1971, nearly half of all of the total state and local tax revenues were raised from the property taxes. Today, its just 34 percent, he said.

"Before the new law," Governor Anderson said, "the homeowners in one school district had to pay higher taxes than those in a neighboring district in order to spend less money per pupil on their schools. Now the district that spends more, taxes more. And the district that spends less, taxes less."

In 1973, the state passed legislation freezing property taxes on homes of senior citizens with the state paying local costs that would have been assessed against the homes; adjusting the school aid formula to provide even greater weighting for children from families on public assistance; and establishing a six year plan to raise expenditures of low spending school districts up to the state aver-

Audience participation was a key part of the conference.

“Citizens ought to be participating in government as regularly as they get up in the morning and go to work.”

age. Another Minnesota law that went into effect this year provides that 40 percent of any revenue generated from new economic growth, whether a power plant or new industrial expansion in the seven county Twin Cities area, be shared among surrounding communities. The intent of the law is to reduce inequities between the tax bases of the have and have not communities.

Ronald Welch, property tax consultant and former assistant executive secretary of the California State Board of Equalization, also foresees movement toward greater equity in property taxation. He predicted the future use of somewhat more generous circuit breakers, especially of the type that refund all or substantially all property taxes and imputed property taxes in excess of certain percentages of owner-occupants' and renters' income. He also predicted improved opportunities to secure relief from excessive assessments by appeal to assessment review agencies; more restraints on property tax rates and property tax levies; continued improvement of assessment administration by enlarging assessment districts, requiring assessors and their technical staffs to meet higher entrance standards and to participate in continuing education; and much greater use of computers in the appraisal process.

Citizen Involvement

Numerous references were made to special efforts underway on the part of citizens and their elected officials to encourage more citizen involvement in governmental processes. The initial sweep of "sunshine" laws in state houses across the country has nearly put an end to "closed" sessions and has thus greatly aided the possibility of such interaction. General revenue sharing has also ushered in new citizen participation opportunities. It is now up to the citizens to take advantage of the opportunity.

Governor Evans strongly encourages the citizens of his state to "be involved." "Citizens ought to be participating in government as regularly as they get up in the morning and go to work," he said.

Mayor Lugar pointed out how important citizen involvement is to a modernization effort — such as the merger of Marion County and the City of Indianapolis. "Modernization has succeeded only when an obvious majority of citizens involved wanted it to succeed," Mayor Lugar said. "The most important modernization occurs when the general will for unity exceeds even by a small margin the deeply held feelings of many citizens for divisiveness."

Citizen involvement is one goal and effect of the decentralized neighborhood governments urged by **Howard Hallman** from the Center for Governmental Studies. Several cities, including Detroit, Pittsburgh, Portland (Oregon), Kansas City, Boston, and New York City, have provided mechanisms for more resident involvement. These minigovernments usually do not have absolute autonomy but rather exist in what Hallman calls "metropolitan federalism." Nevertheless, Hallman says, "neighborhood government should have considerable freedom of action within the sphere delegated to it, flexibility on how best to carry out assigned functions, and the right to initiate activities beneficial to the neighborhood and certain taxing powers. It would operate within a framework of federated urban government and a system of shared power. Its powers should be meaningful even if not unlimited."

Growth Management

A third important concern in the carrying out of governmental roles deals with growth and its management now and in the future. **Ralph Widner**, director, Academy for Contemporary Problems, Ohio State University, both argues the case for planning for the future and discusses the areas in which it is being carried out.

The continuation of a system of *laissez faire* government set up in this country's early years cannot continue, Mr. Widner argues. This approach results in what he calls "hidden" policies that do not assure desired achievements. In addition, scarcity and finiteness have now become reality and we "are being impelled in the face of crisis after crisis toward the formulation of policies on growth and programs for the control and allocation of resources which only a few years ago would have been unthinkable." Yet, not only is agreement on the problems we wish to plan for difficult, but also of concern are what Mr. Widner calls conflicts in values such as equity of opportunity versus free market; centralization versus decentralization; preservation versus development; and individual rights versus group rights. It is the individual versus group rights conflict that most affects national, state, or local growth policies. For if such growth policies are adopted, what are the implications for future Americans in terms of their freedom of choice to live and work where they wish?

Mr. Widner does see a pattern evolving out of the confused growth policy debate, however. He describes the pattern as a three legged stool, with one leg social policy, one economic policy, and one environmental policy. Growth policy must meet the objectives of all three. And it can be done, he says. States and localities are doing it by providing for uses of land, water, air, energy, and material resources that will minimize environmental disruptions and promote the reuse and conservation of material resources; attempting to channel population growth and development toward areas with greater residual "carrying capacity;" attempting to

protect fragile and unique environments; and establishing aesthetic and health standards designed to improve the quality of life in both metropolitan and non-metropolitan areas.

States and localities are moving in the right direction, he said, in areas such as comprehensive land use management, comprehensive growth policy statements, and coastal zone and interior wetlands legislation. The Federal government actions have "lagged behind states and localities in response to these new conditions," Mr. Widner noted.

He says the Federal responsibilities for a national growth policy could best be met through the effective use of economic policy, Federal regulatory powers, and the establishment of minimum social and environmental standards that would apply nationwide. For with the exception of the public domain, he says "the Federal government exercises little influence over the specific use of land in this country."

B. R. Stokes, executive director of the American Public Transit Association, agrees that national goals should set the tone for local action. He argues that regional bodies should set these programs in motion — at least in the area of transportation.

"It is our view that Federal urban transportation policy to be effectively realized, must be translated into action programs at the regional level," he said. "The planning process is the first step toward regional implementation. Federal policy should require such a planning process and should set in motion the programs by which regional plans are accomplished."

He continued that the Federal DOT should outline the general requirements but that there should be substantial local option for tradeoffs that will reflect local conditions and values. These regional plans should involve state, regional, and local governments, he said.



Arthur Naftalin, professor of public affairs, University of Minnesota, left, and Farris Bryant, former governor of Florida and former chairman of ACIR.



John Driggs, former mayor of Phoenix and former ACIR member, left, and Arthur Okun, senior fellow at the Brookings Institution.

Harry Hughes, Maryland secretary of transportation, also emphasized coordination among levels of government "to help find a solution and then continue to work together to implement those solutions." An important part of this partnership is the regional planning agency which he says is essential. "Both our major transit activities in Baltimore and Washington rest on a solid foundation of many years of cooperative Federal, state, and local planning," he said.

Bruce Barkley, acting director of the Office of Transit Management, Urban Mass Transportation Administration, U.S. Department of Transportation, agrees that there should be planning on the Federal level in his field and believes this planning will enable state and local governments to better meet their responsibilities.

"For while the Federal government has no business setting standards for the exact shape and form of local structure, it does have an obligation to require the effective management of Federal resources in urban areas," he said. He therefore supports a strong statement of policy and procedure at the Federal level, defining appropriate Federal, state, and local roles; state criteria for local government reform through state legisla-

tion; and "perhaps even an intensive and serious look at the U.S. Constitution and its relationship to modern American life."

The New York Metropolitan Transportation Authority is an example of a quite comprehensive transportation planning and operating entity serving an extremely large urban area, according to **Edwin G. Michaelian**, director of the Institute of Sub/Urban Governance at Pace University and member of the Metropolitan Transportation Authority. The MTA was created to correlate commuter transportation and mass transit and comprises the New York City Transit Authority which operates subways in New York City and the bus system in various boroughs and Nassau County, the Long Island Railroad, commutation into and out of New York City on the various divisions of the Penn Central Railroad, the Tri-Borough Bridge and Tunnel Authority, the Staten Island Rapid Transit rail line in that borough, and two airports.

Fiscal Federalism

No aspect of government so clearly highlights the complexities and tension of a Federal system as do fiscal concerns. Some state and local governments have tax systems broad enough to permit equitable treatment of all citizens, but other governments, in various ways, are forced to rely too heavily on the most regressive revenue sources. While many local governments argue for more Federal and state money on the grounds that it is collected in a more progressive manner, they object to strong Federal or state controls over use of those funds. With the multitude of interrelated concerns, it was Federal aid and its impact on state and local recipients which provided the most discussion.

Present Mix of Federal Aid

Although admitting that there still are problems with Federal aid to state and local governments, **Comptroller**

General Elmer Staats believes that the present mix of Federal assistance (categorical grants, block grants, general revenue sharing, and tax expenditure) is a good one. Each plays an important role "in providing Federal financial assistance, a pattern developed through an evolutionary and incremental process over nearly two centuries," he said.

Categorical grants, vociferously objected to by many state and local officials, serve the purpose of dealing with designated problems of national concern in a specific and uniform manner and with maximum involvement of state and local governments, Dr. Staats said. He thinks such grants are particularly valuable for research and demonstration activities or when the overriding objective is to prescribe a minimum level of services.

Block grants, more popular with many state and local officials, reduce administrative work and costs and provide recipients with greater flexibility in using available funds while placing a major responsibility on states and local governments.

General revenue sharing, described by Dr. Staats as "general fiscal support payments or . . . income redistribution payments," will be the most controversial, debated, and studied of all Federal assistance programs, he predicted.

Daniel Elazar, director, Center for the Study of Federalism, Temple University, thinks that categorical grants are not as narrow as often thought, block grants not as broad, and revenue sharing not as free as it is supposed to be.

He describes categorical grants as "not as narrow as they sometimes seem," and he says that, like general revenue sharing, they are "fungible." "Indeed the fact that they tend to be controlled by specialists, the very element of categorical grants that has led government generalists to criti-

cize them so severely, adds to their flexibility," he said. The social services program, until limited by Congress two years ago, was an example where he says "specialists at the state level drove their trucks, at least 50 of them, right down the middle of that program, running over the generalists in the process and showing how broad a categorical grant can be when one knows how to use it."

He says what little research is now available indicates that there is almost no difference in use of money as a block grant or categorical grant. "Not only that, but Congress almost immediately started adding new categories to the block grants," he said.

Among restraints on revenue sharing have been pressures on state and local governments during an inflationary period to provide for budget deficits that must be covered. Pressures to increase public salaries are another restriction on the innovative and imaginative use of the funds, he said.

Governor Evans of Washington attacked categorical grants saying their high administrative costs convert them virtually into a high cost welfare system for administrators at the expense of the intended beneficiaries. He thinks the categorical programs should be dismantled. He is, on the other hand, in favor of general revenue sharing which he says "is essential to effective federalism." The State of Washington has been sharing revenue with its local governments for years, he says, and will continue to do so.

Senator Edmund Muskie of Maine, Chairman of the Senate Budget Committee and the Senate Intergovernmental Relations Subcommittee, supports revenue sharing but warned conference participants that it faces "rough sledding in Congress." There will be those, he said, who will not be anxious to continue revenue sharing due to the enormous Federal deficit. There will be those who think it is not going to the poor and needy and should be abandoned.

“The present mix of Federal assistance is a good one.”

“The proper role for revenue sharing is and always has been that of a complement—not a substitute—for a balanced mix of general revenue sharing, block grants, and categorical programs.”

And then there are many who are “simply indifferent to the fate of revenue sharing. It is not an issue that generally stirs passions in its support.”

Senator Muskie pointed out three areas where changes may be proposed in the new revenue sharing bill: revising the revenue sharing formula where it deprives cities of needed funds because they are located in relatively affluent states; using revenue sharing as an incentive to state and local governments to move toward more progressive tax structures; and improving civil rights enforcement.

The general goals of the legislation when it passed in 1972 are still good today, he said. These include a desire to relieve the fiscal problems of hard pressed local governments which have inadequate or inflexible tax bases; to reduce the regressive burden of state and local taxes by substituting revenues from progressive Federal income taxes; and to give people at the state and local levels the resources and flexibility to develop solutions suited to their unique problems.

“The proper role for revenue sharing is, and always has been, that of a complement — not a substitute — for a balanced mix of general revenue sharing, block grants, and categorical programs,” he said.

The future of Federal aid was addressed by **Comptroller General Staats**, who says there will likely be further growth in the Federal assistance programs. Yet he warned that he doubted “whether we have fully assessed the dangers which lie ahead — and which are possibly inherent in massive Federal aid — unless we are willing to realize that over a period of time we can, and possibly already have, radically revised our concept of the relationship of the Federal government and state and local government. The concept of the Constitution as a living and flexible document

is no more sharply illustrated than in the financial relationships to the Federal-state system.”

Although he emphasizes that the changing relationship is not necessarily bad, he says its potential implications must be considered. In particular he encouraged the concept of a periodic assessment of both the need for and form of various assistance programs.

National Economic Impact on States and Localities

And finally in the fiscal area is the issue of the national recession and its impact on state and local governments. The session on this topic was a debate between **Arthur Okun**, senior fellow at the Brookings Institution, and **Edgar Fiedler**, assistant secretary for economic policy, U.S. Department of the Treasury.

Dr. Okun strongly supported a Federal tax cut to be supplemented by a temporary cyclical increase in general revenue sharing based on the level of the national unemployment rate and so constructed that it would phase out automatically when prosperity is restored.

“If the states and cities can produce the evidence that such an added inflow would prevent recession induced slashes in expenditures and increases in taxes (rather than merely have Uncle Sam do their borrowing for them), Congress should be receptive to this proposal,” he said.

Although primarily concerned with national action by the Congress and the President, Dr. Okun did urge the states and localities with their divergent interests as oil producers, as users of heating oil, or as suppliers of resort services, to “view their own interests in the perspective of the urgent national interest to achieve independence from the economic and political power of the world oil monopoly.”

The decisions that must come from these economic circumstances will be large for the entire country and the entire decade to come, he said. “And their significance extends beyond

their impact on real GNP, the inflation rate, and the unemployment rate. They are major tests of the responsiveness, soundness, and nationality of our political and economic institutions and that is why they must be passed," he said.

Dr. Fiedler downplayed the crisis somewhat by saying Americans are "fascinated with catastrophes" and "hardly respect an economist who doesn't predict destruction." All the problems are real but will be solved in time. Our tax system is strong, he said, and operates well. In fact, he feels the economy will recover whether there is a major tax cut or not.

He also expressed the view that the government — at Federal and state and local levels — is too involved in economic management. "Someone will have to change the trend," he said, "of running more and more to government for payments to individuals." He also feels that there is too much government regulation. "There are a large number of cases where government has mismanaged long term relationships," he said. "The ICC, for instance, came close to destroying the railroads by requiring too many tracks and a too stringent rate setting system."

Problems Not Mentioned

Although the conference dealt primarily with the present, **William Colman** provided an interesting perspective during the final session by comparing problems discussed in 1975 with those that might have been of concern at a similar conference ten years ago. His list included:

- That there was little clamor for additional Federal funds;
- That there was not much push for new Federal programs;
- That the "urban crisis" seemed to be submerged within more generalized fiscal and administrative concerns;
- That there was very little mention of the court system.

In contrast, he noted current areas of concern that were not major issues a decade ago, including:

- Increasing unease about the federal system and overall fiscal viability of the nation as a whole;
- A drift toward the "layer cake" (symbol of three distinct and separate planes of government) talk of earlier years;
- Most concerns expressed in general terms of finance and structure rather than in specific functional areas.

The Future of Federalism

Daniel Patrick Moynihan, professor of government at Harvard University and former Ambassador to India, concluded the conference with a speech entitled, "The Future of Federalism."

In order to test the present and the future, he looked at four projections he made in the past. These four conditions described in 1960 in a paper prepared for the Commission on the Year 2000 would, he felt then, determine the future of federalism. The conditions, which he believes are still valid today, include:

- The nationalization of public policy, an event he describes as following from the achievement of a genuinely national society. If there were a goodly supply of local problems "there were fewer and fewer specifically local subjects."
- The rise of the Federal fisc as the primary source of discretionary public expenditure. Convention has it that this is owing to the superior revenue raising potential of the national government, he said.
- The tradition of decentralization and the fact that federalism is greatly inducing the grant-in-aid as the principal form of Federal expenditure on domestic programs. "Certainly there is no evidence that this is to be anything but an enduring aspect of federalism," he said.



Edgar Fiedler, assistant secretary, economic policy, U.S. Department of the Treasury.

“There was little clamor for additional Federal funds and not much push for new Federal programs. The urban crisis seemed to be submerged, and there was very little mention of the court system.”



Arthur Okun, senior fellow, Brookings Institution.

- The diffusion of the middle class ideal of participation in public decision making will add a considerable and, in a sense, unanticipated utility to the complexity of the American government structure, which requires such great citizen participation to operate. Citizen participation is a good which Americans actively seek, especially as they become more educated and have more discretionary time and resources, he said. He would further expand on that today to emphasize participation as a product of government, especially its importance in a multi-ethnic society like ours. "There is no ethnic group that can't find some office to which one of its members can get elected or appointed, if it so desires," he said. Yet the problem lies in the fact there are so many governments that few offices are that important. Hence, the process of ethnic succession is eased. Those "in" do not that much mind stepping aside for those "out." The ins know that not that much is at stake, really, he said.

Dr. Moynihan then reviewed six themes for the Third Century as he had formulated them in 1960. He believes most have survived the last 15 years and stand up well today.

- He concluded the "multitiered system of bureaucracies and government activities" was assuming a permanent shape he called "wedding cake federalism" surmounted by the person of the President. He says the pattern holds today: "It even became more pronounced as the growth rates of expenditure and employment at the lower levels of the federal system continue to be generally greater than those higher up." The people are increasingly at the bottom. The trend will continue, he said, with the money mostly Federal, the jobs mostly local.
- He predicted that special purpose governments would multiply and multipurpose metropolitan government would not. Indeed special districts are still proliferating.
- He felt that there would be a trend toward metropolitanism in education — with fewer units and larger jurisdictions. Although the movement is not notably in evidence, as he predicted, the busing issue relates to the issue problem and he feels it may come true yet.
- He predicted a national social accounting system to evaluate social programs. Although results are not so positive, never so emphatic as he had hoped for and expected, this has occurred — or been attempted. He finds that "social accounting is increasingly an aspect of public affairs in the United States. With respect to government programs, it has assumed a role of presumptive normalcy alongside the financial audit functions of earlier years."
- A quest for community is what he calls the effort to overcome and prevent alienation. Although this is an area difficult to measure and too often one that runs counter to the centralization that seems to be occurring, he believes "it is reasonable to expect that the quest for community will continue as a theme in American life and hence in American Federalism and that it will continue as a countervailing influence to centralization and uniformity, a force, as it were for paradox."
- That what has been called the "rediscovery of the market" could be serviceable to planned and unplanned economies alike, to public and private enterprise, is a 1960 prediction of his he called "wholly wrong." Some

efforts along this line, notably Dr. Moynihan's own "Family Assistance Plan" and experiments including experimental school voucher programs and housing allowances, have come to little or nothing. To the contrary, he said, government direction grows.

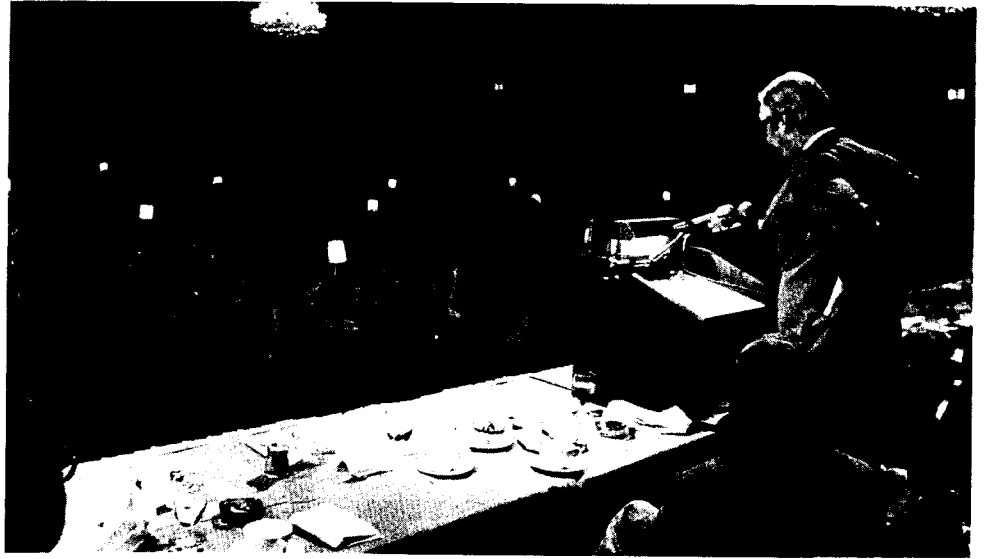
The reason he says the last prediction was totally wrong was that it was "the only one in which I dared to predict that events would commence to move differently from the way they had been moving." He predicted the market place idea because it seemed "too good an idea not to change minds," he said.

"As this has not happened," he said, "I conclude that the forces that have been shaping federalism in recent decades are immensely powerful and are not likely to be reversed by anything save a large movement of opinion: not expert opinion, but public opinion."

The forces? They are growth of government at every level, in every form — or the conquest of the private sector by the public sector. He suggests the only way to change this would be a genuine political and cultural decision by Americans that government is large enough and should not get larger.

He predicts that this will happen; that "well before government is taking half the income of the country, somewhat past the 40 percent point, we will taper off." And at that point, issues of federalism will once again assume a true saliency, he said, for we will be discussing the distribution of power and resources in a relatively stable state.

"In the near future, however," he said, "we will continue as we have done: increasing the strength of national government in the name of



increasing the strength of state and local government."

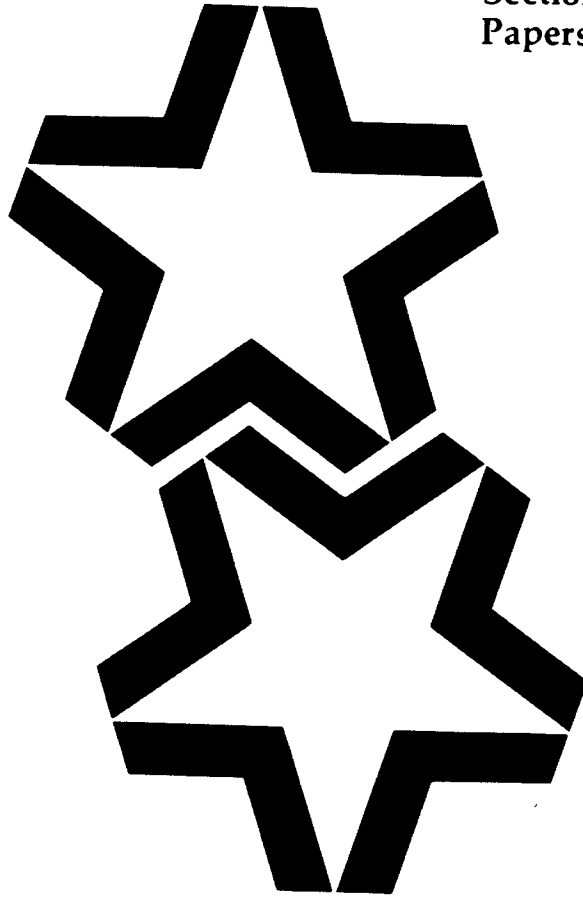
Yet in the face of what he feels is the trend toward centralization, are the innovations occurring at the state and local level. Among these he mentions New York's disability insurance program adopted when the Federal government was "nearly immune to such thoughts" and no fault automobile insurance adopted by many states well in advance of national action. "Policies do rise in the federal system," he said. "If pressed, the professor of government today is more likely to suggest that governors are put in Washington — when they are — to see if they can't get the national government to do something that state government can't do."

The system continues, he said, resulting in no small measure from "a marvelously flexible and enduring system of shared but interconnected power which for two centuries has provided a stable and enduring government over a vast and heterogeneous society and an even more stupendous territory."

The conference participants seemed to agree.

Daniel Patrick Moynihan concluded the conference with a look into the Future of Federalism.

“The forces that have been shaping federalism in recent decades are immensely powerful and are not likely to be reversed by anything save a large movement of opinion: not expert opinion, but public opinion.”



American Federalism: A Paradox of Promise and Performance

By Robert E. Merriam
Chairman, Advisory Commission
on Intergovernmental
Relations

In 1776, a dream became reality; 13 years later its structure was formed. Nearly two centuries later we gather here in a major assessment of that dream's performance.

Just over 15 years ago the Congress established, and the President approved, the first formal mechanism to monitor federalism in action: the Advisory Commission on Intergovernmental Relations. Ours is the sometimes lonely and mostly unnewsworthy task of reporting on and recommending ways to improve the workings of our federal system.

Mine is the pleasant responsibility to suggest to this first *National Conference on American Federalism in Action* some tests against which your discussion may measure the performance against those early—and subsequent—promises, remembering always that the final measure of democratic government is its ability to foster freedom with equity while contributing to a better life for all.

As we confront the agenda for these two days, therefore, we must ask ourselves what tests we apply to measure our success. My list of tests is a suggestion, not an all inclusive list. It asks:

- Does federalism protect and encourage democracy and freedom?
- Does federalism result in governmental innovation?
- Is the federal system efficient in the allocation of limited resources?
- Does federalism promote equity in the treatment of all citizens?
- Does federalism contribute to the improvement of the quality of life of all citizens?
- Is the federal system strong enough, resilient enough, and flexible enough to meet the major challenges of the present, and of the future?

No doubt the answers will be both conflicting and perhaps confusing, because they do indeed contain many paradoxes. In the remarks which follow, I shall touch on some aspects of the questions I have raised. To several of the questions I will dare to suggest an answer.

Born and Raised in Paradox

As Chief Justice Salmon P. Chase wrote in an 1869 decision, "the Constitution, in all its provisions, looks to an indestructible Union, composed of indestructible states." But the nature of American federalism, we all know, is far more complex than that.

As every topic we will be discussing in this conference will demonstrate, we live within, we were nurtured within, we will create our future in a system rooted in paradox.

There is the original paradox of our written Constitution itself — a document written in secrecy by a nation's elite, determined to place some limitations on what they perceived to be the dangers of mass passions. Yet the federal order permitted the development of one of the greatest free republics ever seen, and as we so often have heard, the longest continuous democracy in world history. The federal system designed by the Founding Fathers was also designed to bring political stability to an inchoate assemblage of 13 proud and quarrelling sovereignties. Through decades of testing, including a Civil War, that stability was created. Yet the federal system has also allowed dynamic forces to express themselves; indeed our entire history may be seen as a continuous process of new causes and forces arising, none ever triumphing absolutely, yet each profoundly affecting our laws and mores.

There is probably no need to detail all the paradoxes of American federalism — the paradoxes and seemingly irreconcilable promises of liberty and equality, of democracy and efficiency, of unity and diversity, of a more perfect Union which is not yet perfect.

We do know that the system created by the Founding Fathers has proven its extraordinary resiliency over almost 200 years. It is possible that we attribute too much of our success to



“The fact is that Americans are not about to give up the historically non-centralized, federal nature of their government system.”

federalism itself, with its carefully structured but flexible divisions of powers both between the states and the national government and between the branches of the national government itself. It may be, indeed, that a parliamentary system like Great Britain's, or any other form of essentially democratic government with some restraints on any single base of governmental power would have sufficed just as well for us in the past, or today.

But in defense of federalism, I would remind you that when the Founding Fathers looked around at 2,000 years of human history, they could see no successful model of a nation covering even then a great expanse of territory that guaranteed its people both freedom and stable popular government.

Indeed, the only governments covering an expanse of land comparable to the America of 1787 had been empires — Russia, China, and the Roman Empire — and they had all been autocracies. The theory of the time was that any nation covering a broad territory had to be run with an iron hand and had to be aggressive. Its own survival, the theory went, dictated that it dominate its own people and its neighbor states, since if it did not, it would be destroyed by the sharks surrounding it.

For the American Constitution writers, the answer was federalism — a way to have the advantages of size, including, if need be, the capacity for unified selfdefense, without losing the advantages of a republican government of democracy and liberty.

Now, two centuries later, we might think that rapid communications make federalism less a necessity in a nation of great physical size. But look about our world and you will see that every spatially large, free system, except that of India, in practice, is federal. Practically every large free nation devolves authority and decision making power to its constituent units. So there is still good

reason to believe, just as two centuries ago, that if a nation's territory is large, its essential choice is autocracy or federalism.

Even if that thesis were proven faulty, however, the fact is that Americans are not about to give up the historically non-centralized, federal nature of their government system. In fact, in our attitudes, we reflect the very paradoxes and tensions that have been inherent in the American federalism system since its inception. On the one hand, we expect much of the national government; on the other, we seem to have an intrinsic preference for the government that is closest to us.

Recent polls by Louis Harris and others confirm public preferences for federal responsibility contained within a framework of shared pluralism.

The conclusion is inescapable: if American leaders, from the Constitutional Convention forward, have been ambivalent about the locus of power and responsibility within our federal system, that same ambivalence is still reflected within the broad mass of the American people. But while that historic paradox remains, a new problem now confronts every level of American government in our time: namely, the massive floodtide of public disillusionment with the leadership being provided them.

Watergate has accelerated these attitudes but has by no means been the only cause. Indeed, as our 1974 annual report notes, a positive aspect of last year's incredible events has been a demonstration of the ability of our system to effect a peaceful transfer of power in the midst of near chaos. Nevertheless, confidence in our political and governmental leaders at all levels is deeply shaken, cynicism about them is high, and only the continuing confidence in the system

American Federalism: A Paradox of Promise and Performance

carries us forward. Nine out of ten people in Harris' latest poll, for example, expressed the cardinal article of faith that the government can be made to work efficiently and effectively, and within the parameters of liberty a free people require.

And now the questions.

Does Federalism Protect and Encourage Democracy and Freedom?

We start with yet another paradox: while public trust in government and its leaders has plummeted to historic lows, one could also well argue that significant changes are taking place.

Look at last autumn's elections. On the one hand, they showed Americans "tuning out" of the political process in massive numbers. Only 38 or 39 percent of the voting age citizenry bothered to go to the polls, the lowest turnout since the wartime year of 1942 and eight full percentage points behind the turnout in 1970.

But those who did vote registered some remarkable decisions in opening up the system by electing representatives of groups historically underrepresented in our system. Blacks were elected in unprecedented numbers to Southern legislatures and became lieutenant governors of Colorado and California. Hispanic governors were elected in New Mexico and Arizona. Connecticut elected its first woman governor, a woman who made it on her own and not as a successor to her husband. North Carolina elected the first woman chief justice of any state in American history; San Jose elected the first woman mayor of any city over a half million population — a woman who, incidentally, had first been propelled into politics when the local authorities failed to respond to her complaints about the need for a street light at a crossing where her children went to school. Advocates of consumerism, of environmentalism, of open government, "sunshine," and ethics laws were elected from coast to coast. The new Democrats elected to

Congress furnished the margin of victory in scrapping the seniority system, an accomplishment that may rank as one of the major reforms in the history of Congressional government.

Who, then, is to say that the American system is ossified, closed, unresponsive?

I am reminded of a controversial little book written earlier in this decade by the Frenchman Jean-Francois Revel. America, he said, was in insurrection against itself. He defined the basic issues as

a radically new approach to moral values; the black revolt; the feminist attack on masculine domination; the rejection of young people of exclusively economic and technical social goals; the general adoption of non-coercive methods of education; the acceptance of guilt for poverty; the rejection of an authoritarian culture in favor of a critical and diversified culture; . . . the broad rejection of the spread of American power abroad; . . . and a determination that the natural environment is more important than commercial profit.

Revel's argument was that the United States was less autocratic and granted more freedom of expression, of the press in particular, than practically any other great nation, and certainly his own France; that this nation had the economic wealth to accommodate a highly pluralistic society of free choice for individuals and various subcultures; that its federal governmental structure was flexible enough to accommodate dynamic new social forces, and sound enough to guarantee sufficient stability in the process of rapid change.

"The revolution of the 20th century will take place in the United States," he wrote, "It is only there that it can happen. And it has already begun." Against all of this, however, is a breakdown in political party respon-

sibility, spawning talk of third, fourth, and even fifth parties, all of which suggests basic weaknesses in our consensus forming mechanism as outlined in David Broder's book *The Party's Over*. How, then, do we evolve the programs to cope with a totally interdependent world economy, energy shortages, population expansion, racial prejudice, and world ideological confrontation? The nearly catastrophic national debate over Viet Nam and today's divisions over inflation versus recession only serve to highlight the dilemma.

Exacerbating the dilemma of political parties in their decision making role are two causal factors:

First is the difficulty that potential local and state and national leaders, in an age of participatory democracy, have in winning people's confidence so that they can really lead and accomplish something. The legitimization of authority, a prerequisite for satisfactory governance in any political system, becomes more difficult than in times past — and is certainly one of the crucial problems of our day.

Second, as Harlan Cleveland recently noted in commenting on the tide of "sunshine laws" and other citizen access and participation laws across the United States, "evidence is piling up that the very great benefits of openness and wide participation are being offset by the risks of making it difficult or impossible to get done the complicated things that have to be done if we are going to protect our surrounding, our bodies, and our selves."

The problem, then, really is to balance the need for recourse to insensitive governmental action with the need to preserve the essence of official responsibility.

Federalism plays a major role in all of this, both positively and negatively. On the positive side, we have known since the days of Andrew Jackson the potential of the American system,

with its multitude of offices from the local to the national level, to provide a real opportunity for citizen participation in government.

However, in our not very distant past, the potential for any serious, disinterested citizen involvement was severely circumscribed in a large number of American states. Anaconda copper "ran" Montana; the coal interest manipulated Appalachian states; Maine was under the thumb of the pulp and power interests; the "pork chop gang" dominated Florida. In many states and cities, political bosses, in close alliance with the dominant economic interests, set the limits of public debate and decided who could or couldn't make his way in elective politics.

But now the system has opened up in startling measure, even in the Southern states, where the ruling circles often used the segregation issue to prevent real popular democracy. There are many who believe that racism, that perennial scourge of our society, will sooner be brought to heel in the South than in the North. Within the multitiered federal system, the opportunity for citizen participation in the governing process is greater than ever before in our history.

So if one is to ask whether federalism fosters democracy and freedom, I would say "yes" — most particularly in a decentralized nation where the levels of education and of citizen sophistication are high enough, in a time when such institutions as legalized segregation and rotten borough apportionment have been swept aside, so that citizens have a real opportunity to control their own destiny. Yet, as noted, a price must be paid for this as with all other "rights."

Does Federalism Result in Governmental Innovation?

There is a real prospect that the American federal system — particularly on the subnational level — may be on the brink of an era of creative innovation paralleled only by the

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Progressive era earlier in this century. I realize that prediction, in typically paradoxical style, flies in the face of the problems of participatory democracy I was discussing a few moments ago. But particularly in the smaller universes of localities and states, it seems to me that the new political forces abroad in the land, operating in the least controlled political atmosphere of our history, may produce some remarkable results in the years ahead.

There is reason to believe, I would suggest, that the creative juices symbolized by the New Deal and New Society eras have been sapped on the Federal level, that tight Federal budgets will make it less practicable to institute sweeping new national programs, and that the states may be, as was so proudly claimed in the Progressive era, the laboratories of social change in America.

There are several reasons this may be so. One is that the states, in their administrative and planning capacities, are far more sophisticated instruments now than they ever have been. Another is that in many states, once our current fiscal crisis is passed, there remain substantial reservoirs of untapped taxes, even considering the constraint of interstate competition. Fiscal flexibility will be enhanced through the growth of Federal block grants and revenue sharing. The states retain the essential power to do almost anything, short of abrogation of Constitutional rights or conflict with Federally preempted legislative areas, that they would like to within their own borders. They fund a great portion of the costs of local governments and seem certain to increase their legislative and executive oversight and review of how that money is spent — a step likely to lead, in turn, to new legislation. Finally, one must consider the new composition of state legislatures, more urban, more educated, filled with more imaginative people than at any earlier point in this century.

I see no reason why the remarkable

impact that Common Cause and similar groups have had in effecting broad campaign spending and ethics legislation in the states may not be copied by groups with a myriad of other "causes." With national coordination of their efforts, facilitated by instant communications, both organized groups and free floating innovators can be expected to spread fresh legislative ideas rapidly within the new political climate.

They will, of course, encounter the formidable entrenched forces in each state, and they may lose as many battles as they win. But their increased sophistication and understanding of the political process, harnessed to the stars of legislators anxious to make a mark for themselves and rise to higher office, should provide a remarkable panoply of thrusts for innovative state action, many of them successful, in the years ahead of us. The subject matter is likely to be very broad, ranging from land use control and consumer legislation to court reform and a challenge to industry oriented regulatory agencies.

What we are not likely to see, if history is any guide, is much tinkering with the fundamental structure of state government itself. The initiative and referendum process may be used widely — a phenomena that those of us with a high opinion of the deliberative and more balanced legislation process may not at all welcome. But I would be surprised if we ended this century with more than one unicameral state legislature or with a parliamentary system in any state. The interest of the most effective reformers in the American system has always focused more on processes and programs than structures, and I doubt if that will change.

What we do not know is whether the innovation on the state level will be all good or bad, or as is more likely, a very mixed bag. But I do think it safe to say that the innovations which

“This relates to what one might call the silent but real promise of American federalism—not only the guarantee of freedom and popular government, but also the promise of unleashing human energy through decentralization.”

have high political appeal, or are substantively successful, will quickly be copied by many states across the land, as often happens. In all honesty, we can't ignore the fact that we have a long way to go in this area, but the trend for innovation among the states is definitely here.

Is the Federal System Efficient?

One may ask this with great candor. Does federalism identify needs and priorities well and move to deal with them in an effective, timely manner? Can we make tough decisions as needed? And here, based on the American experience up to now, we federalists have every reason to be rather humble. There is a lot of justification to the criticism that our consensus method of reaching decisions is unbelievably laborious and time consuming. The capacity to plan well for the future, and then act in accordance with plans, is one of our weakest points. At every level of government, officials generally hold office for terms too short to formulate plans and then effectuate them. Indeed, the question is sometimes asked — can we really afford federalism? With our thousands upon thousands of governmental units, there is gross duplication of administrative machinery. Foreigners sometimes observe that only in America with its bountiful resources could one afford a governmental system like ours.

The opposite question, of course, is whether an autocratic system capable of swift decision, would be more efficient, let alone more economical. A single administrative mistake in a large autocracy can be disastrous — as the Soviet, and earlier the Nazi, experiences have amply demonstrated in this century.

Alexis de Tocqueville made some interesting comments on efficiency in the decentralized American system which we might bear in mind. Very freely translated, his point was that in the France of his time, when the

government set out to do anything, it did it well. It knew how to plan, and it had a superb bureaucracy to carry out its plans.

The Americans, Tocqueville observed, seemed incredibly inefficient. You could look over the young nation and see a field littered with started and abandoned efforts. But there was one curious difference, he noted. The Americans (and the figures here are my invention) seemed to be starting up 20 times as many projects as the French. So even if they were only half as efficient as the French administratively, a simple bit of arithmetic revealed that they were getting ten times as much done in their inefficient way.

This relates to what one might call the silent but real promise of American federalism — not only the guarantee of freedom and popular government, but also the promise of unleashing human energy through decentralization. Local initiative has been, and remains, one of our most enduring strengths.

But it does pose problems for us as a mature nation. Before, we had a vast continent awaiting our settling and experimentation, and there was plenty of room to make mistakes. Now we face the problems of severely limited resources—scarce land, scarce energy sources, and scarce or at least frightfully expensive capital. Our gains in industrial productivity have dipped seriously, particularly in comparison to other industrialized nations, in the last decade. The share of our gross national product represented by government has risen from 22 percent in 1946 to 33 percent at the present; the share represented by state and local government has soared from 5 to almost 15 percent.

I am sure you have seen President Ford's statement in his budget message that total government spending will grow to more than half of our national output if domestic assistance programs grow in the next two decades at the same rate as in the past 20 years. A major part of the increase of recent years has been in

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social insurance programs, in wages of government workers, and pensions and fringe benefits. National health insurance would represent another massive increase. Should political resistance fail to slow these trends in future years, we must ask ourselves, how much elasticity will be left in our system? How much money will be left over for new social and environmental programs, for mass transit, for experimentation, for the expression of local energies?

And how, we might be asking ourselves over the next two days, do the various proposals for the modernization of subnational government on our agenda, including administrative improvements and substate regional reform, relate to our overall fiscal condition, and our ability to tap the creative impulses of the American people.

Does Federalism Promote Equity in the Treatment of All Citizens?

One of the thorniest problems of American federalism is achieving equity for all citizens at the same time that allowance is made for diversity within the system. By equity, I do not mean equality; total government enforced equality would, of course, eradicate all diversity in our system, and with it freedom and liberty. But if we view equity as fairness and justice, then federalism may be said to foster it in some cases and to hinder it in others.

Federalism fosters equity in that it functions in a way that tends to protect the rights of minorities. It means on the one hand that there is a strong national government — indeed, the supremacy of the national over then powerful state governments was considered the greatest victory of “federalism” as it was defined in the early years of the republic. The reapportionment decisions and the civil rights acts of the

1960s are but the latest manifestation of Federal competence to assure citizen rights; paradoxically, those actions abrogated state sovereignty but made possible more viable democracies within the states.

A strong Federal government, through the process of national dialogue, has also made the decision in modern times to assure a certain floor of economic security to citizens in all states. The Harris survey mentioned earlier found that 89 percent of the American public agreed with the statement that “the Federal government has a deep responsibility for seeing to it that the poor are taken care of, that no one goes hungry, and that every person achieves a minimum standard of living.” We are all aware of the mass of legislation, ranging from social security to unemployment compensation and welfare, which has been enacted to assure those ends.

One could say, with substantial evidence, that the assurance of civil and economic equity does not depend on a federal system. Particularly in the economic area, the United States has lagged behind the first nations to adopt social security, work injury assistance, sickness insurance, and unemployment insurance. We have still to adopt a family income maintenance plan, although it is already law in almost 20 other nations.

But federalism, in advancing or protecting equity in its widest sense, has some distinct advantages. Particularly, federalism means that the interests of various types of minorities in the society are not trampled by the excesses of majority will — the threat which Madison, in fact, saw as the chief danger of “direct democracy.” Remember that Congress is a direct reflection of the federal system, the Senate because of its equal representation for states, the House because decentralization is honored through the requirement that members come from districts and retain a

“Still, overall, I think we could say that American federalism has done a good job to protect and foster equity for its citizens—and that we can be better satisfied with its record now than we could have been a generation ago.”

loyalty to constituency greater than their loyalty to party.

This legislative system tends to protect minority rights if the minorities are enfranchised and are politically articulate. For such minorities, our system may assure equity better than any other in the world. When the *Voting Rights Act of 1965* resulted in the addition of more than 2-million blacks to the voting rolls in the South, we took a massive step toward assuring their participation in this process. The recent dramatic rise in elected black and Hispanic officials at all levels of government, starting from local power bases, demonstrate dramatically the interaction of the parts of our federal system.

Still, there are those who are so politically impotent, or who suffer under ancient injustices which majorities are unwilling to correct, that they cannot enjoy the benefits of legislative slowdown and courtesy and must rely on the courts. The Warren Court made massive strides in assuring the rights of the dispossessed of America. But while it used national power to force states to be more democratic, the shoe now seems to be on the other foot. One of the most interesting developments of recent years has been the movement of several state supreme courts, with California's perhaps the most outstanding example, into that controversial political thicket in which substantive rights for people, because of the lethargy of legislative bodies, must so often be won. State supreme courts moved first on equalization of school funding and related property tax reforms; now they and the Federal courts are beginning to move beyond schools to broader equalization of public services, in one of the least recognized but potentially most important developments of our times. But, once again, the paradox! Property tax disparities between rich and poor, old and young, from district to district are staggering. State and local tax reforms have slowed to a trickle since Federal revenue sharing. And, ironically, on balance

except for the upper brackets, public employee wages in many jurisdictions now seem out of balance on the high side.

Still, overall, I think we could say that American federalism has done a good job to protect and foster equity for its citizens — and that we can be better satisfied with its record now than we could have been a generation ago. We would hope that in the future, however, less reliance will be made on judicial “mandating” to achieve legislative responsibilities.

Does Federalism Contribute to the Improvement of the Quality of Life of All Citizens?

But let us assume that all these problems eventually will be solved and that we have a federal system that provides us with a sufficient measure of freedom and democracy, of innovation and efficiency, and of equity. We might have all that and still fail to provide what is ultimately most worthwhile for people, namely the parts and conditions of human existence that go under the general rubric of “quality of life.”

But what is “quality of life?” We have seen a growing agreement that the traditional measures of well being, such as the Gross National Product, the Consumer Price Index, income and educational levels, however important they may be, are only one part of the equation of human happiness within the society.

The new definitions, which some suggest should become formalized national goals measured by the relatively new science of social indicators, go well beyond “just economics.” They include such standards as undefiled natural environment, clear air and water, health, accessible public transportation, cultural opportunities, and maximum opportunity for individual expression.

But there is no unanimity on definitions among the academic and governmental groups which have approached the “quality of life”

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subject, and one suspects that if any definition were officially proclaimed, it would promptly be challenged. We have become painfully aware that rather than common happiness, rather severe social strains have emerged from the so called "progress" of our era — the achievement of higher standards of living, the spread and increasingly high levels of education, urbanization and metropolitanization, rising technicality and bureaucratization of work, and the heightened selfawareness and rise of minority groups.

Indeed, each seeming "advance" in our national life seems to bring its own problems with it. Strive as we will to carry out the Constitutional mandate "to . . . promote the general welfare," we are caught in a revolution of rising expectations and reminded of Schopenhauer's cynical definition of the two sources of human unhappiness — "not having what you want and having what you want."

Does federalism have anything to say on this problem? I suggest that it does. Too often, the effort has been made to suggest national quality of life standards for this huge, multifaceted nation — a macrolevel effort that is doomed to failure because it fails to take into account that where we live is at the local, the microlevel. Definitions of the quality of life and efforts to use government to enhance them should most properly be the task of people in the existing communities in which they live and work, areas that could or should consider themselves natural polities. In some cases, the natural polity may be a great metropolitan area; in some cases, a smaller city and its environs; in the case of some of our more lightly populated regions, substate regions or entire states.

One can envision a future in which the people of the natural groupings engage in lively and continuous debate about the qualities of life most important to them, which qualities they would want public policy to enhance, and which tradeoffs they are willing to accept among them-

selves. The answers of the people of the Ozark Mountains will not be those of the people of the areas along Puget Sound; the preferences of Atlantans may be distinctly different from those of Chicagoans — and in each area, the definitions, the priorities, may change far more rapidly than any Washington level administrator could ever envisage. People in Maine's Washington County may be willing to cope with high levels of what the rest of us would call poverty, if they can be left alone to take their living from the sea and the land. One survey in Los Angeles showed that stray animals, garbage, and noise were the primary concerns of ghetto residents — quite different, one would imagine, from the concerns of affluent suburbanites in the Los Angeles basin, but a set of problems, with appropriate solutions and relative demands on public resources, far better bargained out in Los Angeles than on the Potomac. If the process of debate in the natural regions can encompass all the social and economic classes, and every level from the neighborhood on up, then we can approach, in part, the problem of alienation by giving Americans a renewed feeling of participation and mastery over their own destiny.

It is true that constituent parts of government in America today may not, and in all too many cases do not, correspond to natural polities — but that is a problem we can try to circumvent by new political entities, or cooperative arrangements among existing jurisdictions. It does not for a moment mean that we should entrust the national government with broad power to decide, beyond certain minimum economic and environmental standards, the priorities for public life to enhance the quality of life of Americans living in 50 quite different states, in 267 metropolitan areas, and 3,100 counties spread from sea to sea.

Is the Federal System Strong Enough, Resilient Enough to Meet the Major Challenges of the Present and Future?

Any decision about quality of life, however, has to come with massive, seemingly intractable forces in the private and public sector. Remember that American federalism was originally designed to deal with the problems of public choice in a rather primitive agrarian-mercantile society rooted in the individualistic ethic. Now we have a highly urbanized, congested, consumer oriented society that has to cope with incredibly big enterprises — big government, big business, big unions, each stoutly defending its perceived selfinterest against the lonely individual.

This leads me to our penultimate test. This is what our conference is all about. I hope you will have some answers for me before we are through.

Consider the compound, global scale problems we must now cope with, ranging from quadrupled international oil prices to roaring inflation and the closest thing to a depression that the United States, in particular has faced in more than 30 years. Can our country conceivably deal effectively with these problems without a degree of centralized authority that will cut deeply into the warp and woof of our delicate federal system?

Certainly there is no way that 50 states and 39,000 general local governments, beyond certain conservation measures in which they have already proven their competence, can begin to deal with an energy shortage of worldwide dimensions. Nor is there any perceivable way that they can play an effective role in formulating economic stabilization policy. Instead, we see them increasingly at the mercy of a Federal government which all too often seems to speak with forked tongue. On the one hand, it champions such concepts as "New Federalism," the devolution of authority, increased block grants, and revenue sharing. But look what the same Federal government does

when the fiscal shoe begins to pinch. Two years ago we had legally questionable impoundments, confounding the carefully laid budget plans of states and cities. This year, despite advance budget briefings for governors and mayors, subnational government officials claim they have been presented with a complex administration economic program that will balloon their energy costs, cut deeply into the Federal revenue base, and restrict Federal aid to states and localities in a year of continued high inflation.

The states and their subdivisions are left, in effect they claim, to pick up the pieces, to take on new welfare burdens when their own revenues are imperiled, to raise taxes or cut services while Washington cuts taxes to stimulate the economy. Even at this advanced point in our national history we lack a mechanism to force Washington to consider, before it acts, the profound impact of its every action on state and local government.

That impact, we know, has grown massively in the last decades. In the 1950s, only one out of \$10 spent by state and local governments came from Washington; now the figure is close to one out of every \$4. With that level of interdependence, and rapid, unpredictable shifts in Federal fiscal policy, we may well ask if the states and localities have any reasonable hope to set their own priorities, to plan their budgets and programs, and to hope to remain accountable to their people.

One answer to this problem of federalism would be closer coordination and consultation between the member parts — in administrative policies, in fiscal policy, perhaps even one day in formulation of a total public sector budget or national fiscal policy for the United States, if that were possible without wiping out on the one hand the last vestiges of state and local autonomy or on the other hand the Federal Treasury and fiscal system.

But alternatively or conjunctively, I think we should start to consider whether state and local governments should not begin to think in terms of reducing rather than increasing their financial dependence on the central government, of doing more things on their own.

Most of us, for instance, have welcomed much of the increase in Federal aid in recent years, particularly revenue sharing, on the theory that the demonstrated elasticity of the Federal income tax, as compared to state and local taxes, made Federal help necessary. But we must at least now ask ourselves whether we risk becoming bogus federalists — claiming all manner of potential in state and local government, but then running in good times and bad to Washington for the money, because we are unwilling to tax on a state basis for state and local needs. It is true that the political graveyards harbor the bones of many state and local officials who reformed their tax structures, thus improving public services and establishing sound and more progressive revenue structures for their jurisdictions, only to be retired by angry voters. It is also true that a number of states have moved aggressively to make their tax systems effective and progressive, but about one half continue to be regressive, some heavily so.

But rather than despairing of the task of making all state tax structures as responsive as the Federal, perhaps we should make action and education on taxes our first priority when the current recession tapers off. A substantial Federal redistribution of tax wealth from energy and food producing states to those less happily situated might be accomplished, just as Federal policy from the New Deal onwards transferred wealth from wealthy, industrialized states to the Southern, rural, and less developed. But after such redistribution, why can't the onus be on all the states to tax progressively and effectively, so that they can be more masters of their own houses?

If we believe seriously in federalism, for instance, we should believe in the primary responsibility of the states, not Washington, to maintain the viability of our great cities and urban counties. The famous rule of the 19th century Iowa Supreme Court Judge John Forrest Dillon, told us that the governmental subdivisions of states "owe their origins to and derive their powers and rights wholly" from the state legislatures. Dillon added that "as (the state) creates, so may it destroy;" perhaps we should add a 20th century corollary that "as the state controls, so is it responsible." But if that is so, what are we to say of the magnitude of Federal aid that bypasses the states and goes directly to the localities, often determining so much of their fiscal health or illness that their very viability as entities depends on Washington, not on the state governments?

I am pleased that our final speaker Saturday will be Daniel Patrick Moynihan, the father of the Nixon administration's pioneering but ill fated Family Assistance Plan. That plan, which really represented a full nationalization of welfare, would have been a massive step toward another imperative of a viable Federal system — namely, the sorting out of responsibilities, so that to the greatest extent possible we know which level of government is responsible for each distinct function of government. Today we face a situation in which each level of government, from local to Federal, has become involved in practically every non-defense activity of government, from consumer protection to highways to environmental protection. Some overlapping will always be necessary, but must the duplication be as excessive as it is now? What rationality is then left in the federal system, and how can citizens pos-

sibly know which level they should hold accountable for success or failure in any given policy area?

If the energy and fiscal crises of the past year have proven anything, it is that we need a strong, efficient, national government in the United States. That remains, as it has always been, a chief bulwark of our system.

But by the same token, it may be that the salvation of the federal system of diffused power and responsibility in America depends not primarily on Washington, but on the states, the cities, and the people themselves.

Only if that fact is recognized, if I may paraphrase Chief Justice Chase, once again, can the states remain as indestructible as the Union itself.

And only if this is so can federalism grow and flourish into our third century.

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New Yorker magazine's community profiler Calvin Trillin attended last year's meeting of the National League of Cities. Reporting on that meeting he wrote, "Government is boring; politics are occasionally interesting, but government is almost always boring. Reporters often complain that they cannot write about an important program — revenue sharing for instance — because there are no people in it."¹

After discussing how difficult it is for journalists to make interesting issues which cannot be personalized, he again comments on how boring government is, particularly local government. "The fact that government is boring — like, for instance, the fact that rodeo bronco busting is dangerous — is naturally an element in determining the kind of people it attracts. (So dedicated they don't mind being bored? So boring they appear dedicated?) Boredom is also an element in determining the extent to which ordinary citizens participate. The citizen who makes it all the way through a hearing on a bond referendum on urban development legislation is likely to be a lobbyist.

"The fact that local government is closer to people than state or Federal government does not make it more interesting. Local government is mainly a housekeeping operation, and no one is interested in house-keeping."²

The *New York Times*, some weeks after the Trillin piece appeared, ran a nearly full page story headlined, "In Big Cities, Realistic Voters in This Election Year Are Aware of How Limited Are Mayors' Powers." It claimed that the public no longer believes that city governments are able to solve city problems. The efforts to use city hall to satisfy rising expectations, as were made in the 1960s, have been abandoned. The writer concludes that "... there

are many signs that the cities are no longer the cutting edge of American politics."³

If local government is as boring and ineffective as these commentators suggest, one cannot help but wonder why so many of us have come to Washington from all over the United States to discuss the role of state and local government in the American federal system.

This question applies with particular force, it seems to me, to those of us from the academic side who devote substantial time and effort to studying the state-local part of the governmental system. If that government and its officials are boring and ineffective, what that suggests about those of us who research and analyze such governmental behavior is a subject I don't care to pursue very far. Perhaps all of us, government official and student alike, have come to Washington to reassure each other of our importance and usefulness.

Despite these journalistic interpretations of the usefulness and excitement of state and local government, the field itself is dominated by ferment, by change, and by debate. Centralizers and decentralizers call each other unflattering names, metropolitan government advocates are regularly denounced by protectors of the *status quo*, those who would move governmental functions from the local to the state level must answer the challenge of the "home rulers." While these debates rage, changes do occur; local boundaries are shifted, functions are moved upward and downward, mostly upward, and the courts issue rulings about the distribution of services which, if followed, will remake the map of local government boundaries and powers.

Central to these debates and changes is the question of which level of government should do what? I interpret my assigned topic, "Functions in Flux," a title that must be pronounced with care, as asking that same question in different words.



¹*New Yorker*, November 18, 1974, page 32.

²*Ibid.*, page 33.

³*New York Times*, February 18, 1975, page 17.

“In fact, there is no internally consistent theory which can be used to guide either the placement of functions or the design of a system in which to place those functions.”

The Inconsistent Guidance of Theory

Ever since man began designing governmental systems, or thinking about such systems, he has been troubled by the question of what part of the system should do what. Easy generalizations are often used which hide the complexity of the issue. For example, all government should be as close to the people as possible, or jurisdictions should be of a size which maximizes economies of scale, or jurisdictions should be large enough to capture all externalities. Just stating these propositions demonstrates their simplicity and, more importantly, their inconsistency; each suggests different jurisdictional boundaries or functional assignments.

Accompanying the assumption that the logic is well understood of where functions should be placed or what jurisdictional boundaries should encompass, is the commonly held belief that it is only political resistance, those currently in power protecting their power, which stands in the way of the adoption of rational changes. In fact, there is no internally consistent theory which can be used to guide either the placement of functions or the design of a system in which to place those functions.

Nor at a more general level do theories of federalism offer much help. Over the past several decades politicians have provided at least three different slogans to describe American federalism — Cooperative, Creative, and New — but the difference in the content of each was never very clear. In fact there is little evidence that federalism as a system necessarily dictates assignment or subnational boundary systems different from those in a unitary system. There is as much of

a need in a unitary system to develop an efficient, effective, and responsive assignment of functions to different parts of the system as there is in a federal system. One need only look to the debates about local government organization in foreign unitary governments to discover the validity of this generalization. Within the United States there is a combination of Federal governance—the relationships between the national government and the states — and of unitary government — relationship of each state to its local governments. I do not believe that pursuing the theoretical underpinnings of federalism provides much guidance to where functions in either a federal or unitary system should be assigned.

Without theory, however, there can be no consistent guide to action other than expediency, which produces *ad hoc* arrangements with consequences impossible to predict. What, therefore, is the state of theory concerning the assignment of functions in a multilevel governmental system? What theory there is comes primarily from political science and economics with a bit contributed by public administration, planning, sociology, and psychology, but not much; and the criteria suggested by all these disciplines provide inconsistent guidelines.

The Role of Political Theory

Political scientists have generally accepted the proposition that the closer government is to the people the more likely it is to be responsive to their demands and needs. From this proposition has grown a set of ideas which favor so-called “grass roots democracy.” The latest version of this doctrine is, of course, community control, or, in its rhetorical form, “power to the people.”

Despite the believed selfevident logic of the proposition that the closer government is to the people, (i.e., the smaller the jurisdiction) the more responsive it will be, the evidence is

hardly convincing. On the average, participation in elections in smaller units is less than in larger units. That ideal of American democracy, the New England town meeting, has also been found by recent scholars to have been "elitist" controlled with relatively little citizen participation. Another political science doctrine, which tends to run counter to the prescriptions of the grass roots argument, favors general government over single function special district government. The supporting argument suggests that a more rational allocation of resources among activities of government is more likely in a system which allows for a comparison of the relative contribution of each activity to the well being of the community. This doctrine rejects the transplanting of the private market into the public sector and sees the ballot box as a means of selecting officials who make resource allocation decisions rather than allocating resources on the basis of signals generated by individual consumers who purchase goods and services in the market.

The special district with its separate taxes and/or charges and fees more closely approximates the private market. In contrast, general government permits, it is argued, the planning and coordination of governmental activities in a way which will better serve communitywide rather than individual interest.

The general government doctrine tends to support large local government jurisdictions since size must be great enough to encompass all related governmental activities. Many planners as well as political scientists champion the use of the general government rationale to support both large scale local government and the provision of more responsibility at the state and Federal levels of the governmental system.

The political scientist also favors simplicity in both assignment and structure because he believes it aids the voter in making choices. A simple, general, hierarchical governmen-

tal system is assumed more likely to be understood by the voter, thereby increasing his influence over the decisions of that system. This arrangement precludes the functional fragmentation caused by single purpose special districts and the geographic fragmentation associated with many units of local government. Obviously no "right system" emerges from these political science doctrines. In fact, each suggests different assignment and jurisdictional systems.

Economic Theory: Equally Inconsistent

The economists, although more dogmatic than their counterparts from other social science disciplines, are no less inconsistent in the guidance provided by their theoretical concepts. There are at least three doctrines drawn from economics which are relevant to the issues of appropriate jurisdictional size and functional assignment. These relate to externalities, economic efficiency, and technical efficiency.

Perhaps central to the question of what jurisdictions should carry out which functions, and what should be the size of those jurisdictions is the issue of externalities. The spill-ins and spill-outs of the benefits and costs of governmental activities are a well known phenomenon though a very difficult one to measure. The pollution which flows from one jurisdiction to another, be it water or air, is perhaps the most obvious, but equally important are those resulting from different benefits derived from human services. One example would be young people educated in one jurisdiction who, when moving to another, carry with them the advantages or disadvantages of the education they received in their home

jurisdiction. The ability of small governmental units to use their zoning power to zone in desirable activities and zone out undesirable ones creates another kind of externality. To minimize the flow of externalities, a greater number of activities must be assigned to larger jurisdictions — to metropolitanwide ones, to states, and frequently to the national government. An alternative, of course, would be a system of charges back to the jurisdiction which produces negative externalities. The impracticality of such a system is selfevident.

Pointing to a very different assignment result is the concept of economic efficiency. In this context, economic efficiency relates to the possibility of the individual optimizing the satisfaction he receives from his consumption of public services. The appropriate analogue is the private market — for there the individual may purchase that combination of goods and services which maximizes his satisfaction. The larger the population of a governmental jurisdiction, the more likely it is that the people within that jurisdiction will be heterogeneous in taste. The particular package of services provided by such a jurisdiction is unlikely therefore to fit the desired package for any but a very few residents. Since smaller jurisdictions are likely to possess more homogeneous populations, it follows that the package of services provided will more nearly fit their preferences for public services. Carried to its logical conclusion the concept of economic efficiency suggests a government for each person — every man a king!

A body of literature has grown from this doctrine which generally supports the current fragmented governmental system. The resulting large number of governments, it is argued, makes it possible for more people to find a jurisdiction which provides a basket of public services which fits their tastes. Thus, voting is done with one's feet rather than at the polling place. Actually it means

voting with wheels and pocketbooks. This doctrine obviously suggests a system very different than one which relies on capturing externalities.

Finally, some economists are concerned with technical efficiency or what is more frequently called economies of scale. For every activity of government there is an optimum scale, and I say "activity" advisedly since a function — police, fire, education — is normally made up of quite disparate activities and each has its own optimum scale. Therefore, it is activities to which the concept of economies of scale must be related rather than to functions. A system based upon maximizing economies of scale would produce a different geographical area for each activity of government. Therefore this doctrine, instead of suggesting a government for every person as does economic efficiency, suggests a government for every activity of government.

Taken together the criteria drawn from political science and economics provide little consistent guidance for drawing governmental boundaries or assigning functions among the levels of government. Since the criteria themselves often point in contrary directions, it is only through trade-offs of advantages and disadvantages that they can be combined in a way which will provide direction for the placement of functions or the structuring of the governmental system.

The "grass roots" criterion of political scientists and the economic efficiency guidelines of economists suggest small units of local government encompassing relatively homogeneous populations with authority over a wide range of services. In contrast, the general government guideline, the control of externalities, and simplicity in structure suggest large units of local government combined with assignment of substantial responsibility to the higher levels of government — to state and federal governments. The economy of scale

criterion leads to functional fragmentation with a government for each activity of such size as to minimize cost.

Equity: The Overriding Criterion?

Combining these criteria is no easy task unless it is assumed they possess different priorities. If they could be ranged from most to least important, they could be made operative — but not, of course, without difficulty because of measurement problems. Yet there seems no “objective” means for such a ranking; it would have to be subjective. In the end, such choices are value laden. Since choice must be based on values, there is a criterion, not yet mentioned, which in my judgment should have priority over all the others. It is the criterion of equity. Its use assumes that there is a sharp distinction between the public and private sectors of the economy, that is, the public sector benefits should be more directly based on need rather than on what each individual’s pocketbook permits him to acquire. Whether it be education services, police protection, sanitation services, or any other public service, the amount received of the total available should be related to the need for that service. Such equity should relate to both interpersonal and interjurisdictional distribution of the services. Most scholars have shied away from use of this criterion because of its obvious value content — it is not scientific. Although the selection of the equity criterion as possessing highest authority is not scientific, the measurement of whether a system is, in fact, equitable can be objectively determined assuming agreement can be reached on definitions.

One area of research, fiscal disparities, does ask one version of the equity question. It is a field which has been well plowed by the Advisory Commission on Intergovernmental Relations and by many

public finance scholars. Their findings, although differing in detail, have generally argued that the current system abounds with disparities — disparities in both tax burdens and services, as measured by differences in expenditures — disparities between central cities and suburbs, between low and high income suburbs, between metropolitan and rural areas, and among regions.

The prescriptions which have emerged from disparities analyses call for larger scale local governments in order to incorporate in such governmental areas an economic base which captures both the growing and declining portions of that base. It further suggests a distribution of expenditures which relates services to needs.

Also emerging from the disparities literature have been suggestions about the flow of governmental aid, suggesting that that flow should be in the direction of those governmental jurisdictions with weak tax bases and containing populations with substantial need. Finally, it has also been suggested that to overcome disparities it may be necessary to move some functions to higher governmental levels, transferring such activities as welfare, education, health, and hospitals to various points in the upper reaches of the governmental system — metropolitan, state, or Federal levels.

The shifting of functions or parts of functions or their financing is being more actively pursued today than is the restructuring of local government, probably because the political resistance is less. The defense of local “home rule” is apparently taking a backseat to the meeting of the public pay roll.

The equity gains accomplished by such transfers are not easily measured. The nature of the tax system from which, and to which, the func-

“There is a criterion, not yet mentioned, which in my judgment should have priority over all the others. It is the criterion of equity.”

tion is being transferred, as well as changing expenditure patterns must be taken into account. Such measurement, however, is not impossible. If the equity criterion is accepted as the one which ought to be dominant, then the other criteria can be used to the degree they are not inconsistent with it.

The equity criterion suggests that the financing of public services should encompass a tax base that includes all interdependent economic activities. At the broadest that suggests more national financing of state and local services than now exists but leaves substantial opportunities for statewide and areawide financing. Equity on the expenditure side suggests fitting as well as possible the provision of services to needs. Obviously the scale here could be much smaller than that required for fiscal equity. For service delivery the "grass roots" and economic efficiency criterion can be fitted to the equity criterion without difficulty. Such a combination does portend a set of increasingly complex intergovernmental relations — an outcome, I believe to be inevitable if the system is to maximize fairness and citizen participation.

Current Efforts

To what extent are current reassignment and restructuring activities consistent with the equity principle? They are a mixed bag. Some move in the equity direction while others do not. The policies of the Federal government, for example, push in inconsistent directions. The regional planning requirements of some programs are to some extent consistent with the equity criterion. Other requirements, however, actually reinforce the inequities of the system. The revenue sharing program, for example, with its "need and effort" formula does help offset slightly disparities but simultaneously acts to protect the current jurisdictional system of local government.

In some states, the efforts, some successful, to transfer all or a large portion of the financing of education, often court dictated, may produce a revenue and expenditure system which more closely accords with equity for both financing and spending, but not necessarily. For example, the transfer of school financing can result in large city residents finding their taxes for the support of schools higher without a similar increase in expenditures.

Further, some recent moves at the local level to create regional jurisdictions with genuine power — Jacksonville, Indianapolis, Minneapolis-St. Paul, to name but three — will result in greater equity in the financing of services. Decentralization efforts — schools in New York City, minigovernments in Indianapolis — will, if successful, provide the opportunity for improving the relationship between the package of services provided and the felt needs of people within each jurisdiction.

The Politics of Change

The number of changes, however, are small. The *status quo* has great ability to protect itself. Is there hope for reform? On the whole, political science research suggests that the current system is more than able to protect itself. Officeholders even in organizations nearly bankrupt — the Penn Central Railroad, for example — will fight to maintain their positions because that bankruptcy does not lessen the "goodies" which the system provides them. Some officeholders in nearly bankrupt central cities will fight to maintain the so-called integrity of their jurisdiction despite its inability to provide the services needed by its residents. The literature has named this behavior "capturing the hollow prize." The prize may be hollow for city residents who need better services and a lessened tax burden, but it not so for those who capture political positions in the system.

My guess is that both restructuring and reassignment of functions will occur at a snail's pace if the initiative

must come from those now holding office or from others (e.g., real estate interests) who benefit from fragmentation.

Despite this inevitable resistance to change, it is encouraging to find one group of local public officials who recognize their need for help in accomplishing certain kinds of changes. The International City Management Association adopted a resolution at its 1973 conference which said, in part, "The members of the International City Management Association believe that Federal assistance should usually be in the form of a block grant, however, categorical grants are desirable when national priorities are at stake and state, local, or private funding is scarce or unavailable; or when the problems or matters being addressed occur only in a relatively small number of communities or when" — and this I think is the significant clause — "the political risks are too high for responsive local or state governments to bear."

Leadership for change must come in part from outside the local government system. There would not have been reform of local government in Canada had it not been for the central role played by the Ontario provincial government, nor would there have been local government reform in Great Britain without the leadership of the national government. I doubt, too, that there would have been reform in Indianapolis or in Minneapolis-St. Paul without state leadership.

Nor is it undemocratic to suggest that higher levels of government participate in reforming local government. The evidence is strong that had the reorganization of either Toronto or London been put to referendum in

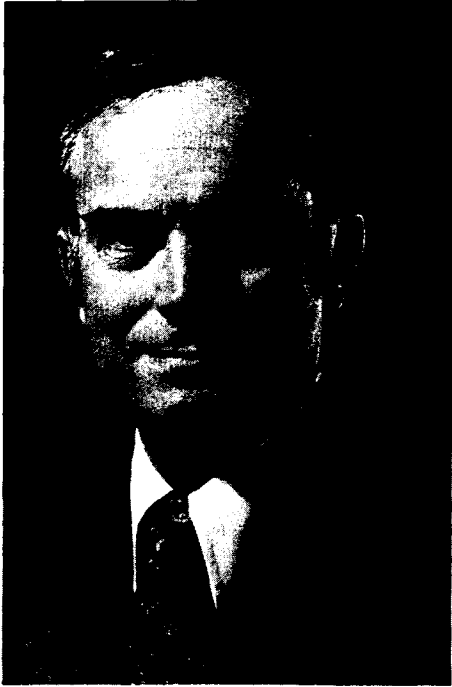
those communities, it would have been defeated. It is now equally clear that if the current systems were to be placed on referendum in those same communities the new system would be upheld by the local citizenry. Democracy does not imply that leadership should be abdicated by those who have moral, legal, and constitutional responsibilities for maximizing the effectiveness and the equity of the system.

Perhaps all of this is boring to our journalist friends. If so, I only ask compared to what?

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State Modernization Today

By Daniel J. Evans
Governor of Washington



If someone were to ask me to describe the state of American federalism, I would have to relate it to a large American family. Sometimes members of a family squabble, although they love each other. Some of what they do doesn't appear to be very organized and sometimes it is messy and inefficient. But generally, at least in most large American families, it somehow works. And that's probably a pretty good description of American federalism today.

Rather than beginning with the standard lines on innovations and new ideas, I would like to launch this speech with a bit of heresy. The trend over the last few years has been to deal with governmental organization and reorganization by taking a good look at regional governments, or councils of government, as effective methods of governmental organization. Over the past few months I have started to wonder whether our attempts to make such neat packages out of government are really worthwhile. Perhaps we should make an effort to determine what government is all about and what we are trying to accomplish with it. Instead of dealing so much with structure, perhaps we ought to deal more with performance or the actuality of governmental responsibility.

I am also a little concerned about the problem of accountability. A council of governments is fine to assume some responsibility, but it is one step removed from the direct relationship of people to their elected representatives. And I am worried about moving away from the accountability for actions. I am also deeply concerned with recent Federal actions, especially in passage of a new health planning act late last year, which could move us into a situation where large amounts of public money would be guided and directed by councils made up of a majority of non-elected officials. Under such laws, elected offi-

cial would be totally outside the bounds of direct accountability. I do not know how many people really understand the full potential in that act — or those like it — which could eventually lead us to a time when elected officials will be dealing less and less with the direction and management of public monies. Accountability is a very important part of what a federal system ought to provide and what a system of representative government ought to be.

I said that perhaps our methods are a little messy today, and that our governments are not put together in packages as neat as we might like them, but I also suggest that by and large they are more effective than most people think; more effective even than most students of government are willing to admit. We are not going to get the most effective government and the most effective federal system if we cease to recognize what federalism really is. And in an attempt to mandate uniformity, I believe we weaken the whole concept of a federal system.

I have been deeply concerned over the years with the growing interdependence of Federal, state, and local governments, particularly through the categorical grant programs which have proliferated for the past couple of decades. At last count there were 1,500 categorical grants in operation and the number is going up, when the trend should be going in exactly the opposite direction. We are getting to a point now where we are building one of the most expensive welfare systems in the whole country with our own grants. The high priced auditors, managers, and paper shufflers required for many of our programs are so expensive that we are taking money away from the supposed ultimate beneficiaries of the program.

The Importance of Revenue Sharing

The expense and trouble involved with categorical grants are only a few reasons I see revenue sharing as an essential part of an effective federal system. Although the Federal gov-

ernment only recently discovered revenue sharing, states and their local communities have shared revenues for years. In my own state, we have a number of tax sources where money is shared with local communities with no requirements, no reporting, no mandate whatsoever from the state level, other than that the local government follows the general laws and constitution of the state. That's what revenue sharing is all about. There are simply some levels of government more effective at collecting taxes than others, but that does not mean that those levels of government should spend or manage all of that tax money.

There is a real question in my mind whether the Congress will continue general revenue sharing — at least in the terms I believe describe revenue sharing. I certainly hope that they not only continue the program but make it stronger. At the same time, I would like to dismantle at least the number of categorical grants we have.

Some people ask me what I would do at the Federal level given the budgetary crunch the President and the Congress face. How can I get or ask for more programs considering the deficits that are occurring, they ask. My answer is that we can do with less money in many areas and give more service in those same areas if Congress will just do one thing: when they reduce the money, they should reduce the requirements for reporting and categorization and give us more flexibility.

Regaining Trust in Government

And that comes to a second fundamental principle — how to somehow regain a measure of trust in government: trust between a legislative and an executive branch at any level; trust between the various levels of government; trust between citizens and their government itself. These things are not easy to achieve and

can only be gained ultimately by performance. But trust is a very important ingredient if we are ever going to use our tax money wisely and efficiently.

Revenue sharing is a measure of trust. So is the lack of categorization. The willingness of one branch of government to give responsibility to another is a measure of trust. Government at all levels should have more performance standards to operate under and fewer requirements concerning how they reach those standards. We are so interested in form that we forget all about substance. I think it's time we turned that trend around.

Another very important ingredient in making federalism really work, given the flexibility and the trust, is legislative responsibility for oversight. Congress, the various state legislatures, and a good many city and county councils spend so much time devoting their energies to new laws and regulations and ordinances that they never look back to see what they have done in the past or to see whether it works or not, or whether it works well enough. I have told my own legislature a number of times not to attempt to equalize the legislative and executive branches by tearing down the executive but instead to build up the legislative branch. I would join them in asking for whatever is necessary for legislative oversight capability to tell us whether we truly are executing the laws wisely and whether we are living up to legislative intent.

Need for Increased Productivity

The needs for today and the innovations which I believe are springing up all over this nation relate to productivity. When you come right down to it, the only chance we have to moderate inflation in this country

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and at the same time increase the potential standard of living of our citizens is through productivity in both the private and governmental sectors. We have attempted to move forward in this field in our own state, and many other states and local communities are doing likewise. We are finding that results are rather easy to obtain particularly if you bring into the whole process those who work in those levels of government.

In an attempt to gain some insight into citizen trust, in Washington, we started a program called "Alternatives for Washington." The program began with a task force of 150 people from all walks of life and various parts of the state. We asked of them only one thing: a considerable amount of their time. In four, three day sessions over a couple of months, they were asked to look ahead for at least ten years and describe some alternative choices for our state. They did that, and also in the process, became some of the most articulate spokesmen and most devoted citizens to making government and the federal system work that you could ever find. They have transmitted this enthusiasm to regional groups across the state and have given every citizen the opportunity to express his preference in a questionnaire inserted into every daily newspaper in the state. More than 60,000 persons responded to the 11 basic alternatives laid out by the committee and thousands sent individual letters amplifying material on the form.

One letter in particular dealt with the whole question of trust and participation of citizens in government. The writer said he thought our questionnaire was unanswerable and wrong and he didn't like it. He didn't like much of what was going on in government, he said. He thought we spent too much money and so on.

There wasn't a cheery note in the whole thing until he got to the very last sentence — the most important — in which he said, "Thank you governor, for the opportunity to express myself." That is what is so wrong today as expressed in the last election where only 38 percent of the people in this country voted. Literally one out of every three voted. The rest rejected participation in a free system such as ours because they did not think their vote or their participation made a difference. The opportunity to express yourself is a very important thing to reach if we can.

I have not spoken much about the specific innovations, many of which are current in all levels of government. I will list three or four, however, and give you a reference to many more.

- Open government is an important prelude to citizens' trust. Sunshine laws and open government laws have been passed in most states of this nation now and they far preceded the concerns and bills now in front of Congress at the national level.
- Regional and intergovernmental cooperation is proceeding in a wide variety of forms. I mentioned some of the messiness of our governmental structure, earlier, but I see something relatively new which may be a hopeful sight: that we are doing more and more things simply on an *ad hoc* basis. We find the problem, we devise a temporary combination or collection of intergovernmental groups to deal with the problems, and then they dissolve instead of creating a permanent framework which far outlives its usefulness.
- Budget building is more and more sophisticated. I believe that most of the state legislatures in this country have a more rational budget system than the Congress itself. Most states have a requirement for a single budget

allowing legislators to look at the budget in total, to compare that budget against revenues, and to have some relationships between them clearly in mind when the decisions are made. In our own legislature, for example, our budget department has created a very sophisticated computerized system for gathering budgetary information. And rather than keeping it to ourselves and competing with the legislature, we have turned that information over to that body. They in turn have developed a computerized "what if" system by which they can plug in almost any kind of change in a budget and get back the effect that change will have on the whole budget picture. They have given that system back to the executive branch so we are much closer together now in information. We are working from the same base, and the arguments between us at least come from the same fundamental information. And decisions now are made on issues rather than on misinformation. There is a need to establish measuring devices for better productivity and better results in government. We have only scratched the surface in this area, but I think that this could be one of the most important innovations or achievements for government at all levels in the next few years. It is easy to measure the effectiveness of a large business. A corporation building airplanes, for instance, can keep intricate cost control information to indicate when they have made a profit or suffered a loss. It is a pretty good measure of efficiency and achievement for business. It is not so easy for a government to measure the effectiveness of education, or the effectiveness of a welfare system, or the effectiveness of so many of the services we provide for which

there is no easy measuring stick. But I believe it is important for us to devise those measuring sticks that people both outside and inside of government can relate to. Over the years, we can then have a better way of telling whether we are gaining or losing against these measuring sticks in government.

So in summary, trust and confidence — government to government and citizen to government — are essential to the health of our federal system and perhaps represent an important future innovation. Citizen participation in the process is an important part of this innovation but not just when their own interests are involved, but when others are at stake as well. Citizens ought to be participating in government as regularly as they get up in the morning and go to work. In addition, government must retain the flexibility to recognize the differences nationally and within our own states and localities and must be given an opportunity to efficiently respond.

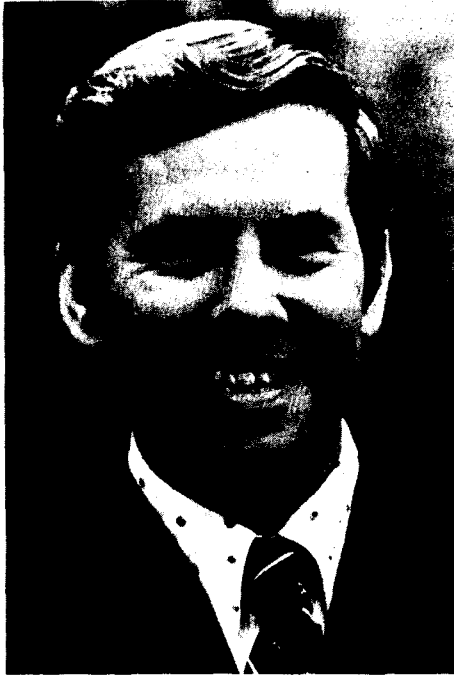
I have to give you just one commercial. Last year for the first time the National Governors' Conference produced a book entitled *Innovations in State Government* containing articles from each of the nation's 50 governors. I recommend it to you. I think there are many innovations. I believe the federal system is alive and well and working and will be so even to a higher degree when we celebrate our 200th birthday a year from now.

Daniel J. Evans was first elected governor of the state of Washington in 1965. In 1972, he was elected to his third consecutive term. Prior to that time he served in the Washington state legislature from 1956-64, serving as floor leader during the last four years. He is past chairman of the National Governors' Conference and has served on the Advisory Commission on Intergovernmental Relations since 1972.

“Trust and confidence—government to government and citizen to government—are essential to the health of our federal system and perhaps represent an important future innovation.”

Local Government Modernization

By Richard G. Lugar
Mayor of Indianapolis



Modernizers and reformers of municipal government must approach each opportunity with seemingly boundless enthusiasm, moral fervor, and careful definition of the grounds on which they expect to win. The deck is stacked against municipal modernization because most cities and towns are creatures of state governments, and most have distinctly separate governments from the counties which surround, contain, and often duplicate municipal services. Federal guidelines intrude into almost every function of municipal organization, and neighborhoods within municipalities often demand recognition and sometimes a considerable degree of autonomy.

The local reformer must be an ally with the state government reformer if only to gain permission to pursue local modernization. In the best of worlds, state governments would be sufficiently concerned about localities to provide more reasonable organizational statutes and a clear flow of authority and money in order that state government might produce a well woven governmental blanket rather than a torn and fragmented cloth.

From the standpoint of both Federal and state governments, it is taken for granted that police and fire protection, sanitary services, street repair, public health services, parks, and some environmental concerns will be provided at local governmental levels. Most states do not allow cities and towns to name the tax mix which might be employed to provide necessary revenues. Most states do little to assist the process by which logical boundaries of responsibility might be established for the rendering of services. In fact, most states maintain a heavy bias against innovative financing or rearrangement of lines and boundaries at the local level. Federal policies through generous funding of local vested interests have often served to fragment service jurisdic-

tions, distort local finances, and then lock in many of the undesirable results.

County governments often suffer the same fate as cities at the hands of Federal and state governments even though state constitutions give counties somewhat more legitimacy.

The "new county" program of the National Association of Counties is a natural ally with some of us who have proposed city-county consolidation for the large cities of this country. County reform is the best hope of many small cities and towns which might gain substantial benefits from such reorganization.

The past 15 years have been alive with innovation and reorganization. Many cities of small and medium sized populations have annexed enough territory to encompass about 3-million citizens within new borders. Five substantial city-county consolidations have occurred in Nashville-Davidson County, Tennessee; Jacksonville-Duval County, Florida; Indianapolis-Marion County, Indiana; Columbus-Muskogee County, Georgia; and Lexington-Fayette County, Kentucky. Of more significance to a wider circle of municipalities, functional consolidation has occurred in a legion of places with burgeoning numbers of special service districts crossing lines of general purpose governments and often dwarfing the remaining general purpose entities as monies, responsibilities, and voter allegiances followed desire to expand and perfect the enthusiasm for new services.

Environmental and transportation planning have triggered multijurisdictional cooperation. Disposal of refuse, garbage, and sewage has become more complex and fostered innovative restructuring. School district mergers have led to substantial decreases in educational governmental units, but a similar decrease has not been noted in law enforcement units.

At the Federal level, a few categorical grant-in-aid programs have been consolidated. The ten regional coun-

cils of Federal officials have offered better channels of coordinated communication for Federal, state, and local officials. Such innovations as joint funding applications which allow governments to help consolidate Federal efforts on the local level and the chief executive review and comment process which enforces the desirability of local comment on each proposed Federal activity have enjoyed limited but effective reform results for those communities fortunate enough to exercise these new opportunities.

As citizens view all of this regrouping, many believe that the reform trend is sound and certain, but many scholars of federalism are not so confident. I want to highlight some of the grounds for concern and indicate potential remedies.

The growth of regional governments stimulated by Federal guideline requirements often results in additional governmental officials who are not elected by local voters and who exercise considerable authority over a variety of special service jurisdictions which are difficult to coordinate in any general governmental manner. Thus, the municipal official who is elected must now confront not only the Federal guidelines and officials, the state governmental apparatus, the elected county and township officials, but non-elected regional officials as a growing tier of government spawned by Federal legislation and state attempts to comply with guidelines.

Secondly, much Federal legislation in the area of governmental reorganization offers few incentives for municipal modernization and reform. For example, the general revenue sharing legislation supports thousands of local governments which offer few general governmental services and thus inhibits general governmental consolidation. The push for

regional governments often blurs the much more vital steps of local merger and consolidation and serves to freeze the old boundaries into place. Frequently, the local government reformer has a strong suspicion that Federal and state legislators have fears of alienating local constituents who oppose merger or consolidation and thus adopt a pattern of flight high above the battleground by suggesting new governmental forms which are non-elected, reasonably distant from voter understanding and observation, and generally frustrating to lasting municipal reform while giving the impression of new idealistic breakthroughs in cooperation.

The United States Congress, the ACIR, and a host of private research groups are monitoring general revenue sharing, a concept which has, in fact, led to strengthened financial positions of most state and local governments and led to a remarkable new burst of overall interest in the concept of federalism.

Some Congressmen retain a strong suspicion that the Congress could spend the money with better results than local officeholders. Congress has mandated how seven out of every eight dollars returned to state and local governments must be spent and tries to enforce those guidelines with uneven success.

Unfortunately, the Congress demonstrates a tragic disinterest in the difficulties created by past categorical grant activity on the life and health of cities.

The National League of Cities and United States Conference of Mayors have documented the national dilemmas of uncoordinated highway and housing grants which have served to weaken local general governments, waste resources, and render the current housing and energy goals of the country much more difficult to achieve.

Recently, the Congress produced ruinous legislation including state and local government employees in

“The past 15 years have been alive with innovation and reorganization.”

the 1974 *National Fair Labor Standards Act* despite concerted testimony that fire and police protection would be prohibitively expensive and that severe cutbacks in service would be a result for many cities who actually need more public safety.

If the current session of Congress proceeds to passage of a federal employee bargaining act, the results for local governments everywhere will be severe.

Financial Restraints on Local Governments

Local governments have no way to raise the sums of money mandated by a Congress from afar that does not send along sufficient cash to fulfill its dictates. The pleasures of legislating must be balanced by the pains of taking time to understand enormous and expensive implications and paying the costs created.

Inevitably after a financial crisis hits New York City or another conspicuous national media center, demands are made for individual attention and subsidy by the Congress. Governmental employee militancy, distorted welfare payment burdens, and lack of local political clout combine to heighten disaster and uncertainty.

New York City becomes ungovernable principally because its own citizens and their elected officials are precluded from taking the necessary remedial measures by Federal and state mandates which may require action which is counterproductive until outside subsidies are raised to maintain all of the inefficiencies in place.

Congress has even imposed loose guidelines for the general revenue sharing money and maintained abnormal curiosity about those dollars even though almost \$40-billion of categorical grants is dispensed to the states and localities with a minimum of interest or knowledge by citizens anywhere.

The questions raised about general revenue sharing get to the heart of the Federal-local relationship problems in this country. Within local jurisdictions, racial, ethnic, religious, professional, and cultural minorities petition the Federal government to rifle shot legal and financial support which these groups may believe is unlikely to come from the governing democratic majority in a specific locality. General revenue sharing monies are usually appropriated in the same manner as any other revenues, but many local constituent groups have been more accustomed to a direct appeal to Congress and a direct response in the form of Federal bureaucracy based locally and earmarked funds. The key question remains, "How fair and how just will the local majority be to local minorities?" So long as local majorities are insensitive to local minority needs or Federal administrators and legislators assume insensitivity and demand construction and retention of parallel local governments operating independently within normally locally elected local governments, Federal-local relationships will exhibit mutual antagonisms and conspicuous deficiencies in waste of taxpayer resources.

A good case can be made that the quality of local government has improved, that minority interests are being recognized, that services can be delivered more effectively at the local level than by Federal outposts, and that Congress must exhibit a reasonable leap of faith with one dollar out of eight in state and local support. In truth, no amount of Federal program reform will make headway without strong municipal support in the administration of the program, and it is in the best inter-

ests of Federal and state governments to make certain that municipalities are given the potential strength to uphold their part of the Federal system obligation of services to actual citizens.

City-County Consolidation

It is difficult for observers of the local scene to follow the logic or assess the strength of reformation. Reconstructed municipalities do not bear a resemblance to Federal, state, or county entities. For example, critics of city-county consolidation in Indianapolis often note that schools are not melded with civil government, that city and county police are not merged, that volunteer fire departments flourish, and that the health and hospital corporation, the airport authority, and the capital improvements board are tied into the overall local general government only by board appointments. The seven constitutionally mandated county officials are tied in only through the power of the purse exercised by the city-county council.

Many critics have questioned why the reformed Indianapolis government remains "non-unified," and they question when it is likely that all of the parts will be put together to complete the supposed optimum framework. Others have questioned whether the unity achieved actually provides more efficient services than smaller jurisdictions might have provided in some specific instances and whether neighborhood government might be a better answer to the needs for local responsiveness than a city-state of 800,000 citizens inhabiting 380 square miles with 40 per cent of that territory under cultivation by productive farmers of the new Indianapolis. Black citizens continue to debate whether they are better off with 18 percent representation in a countywide government which has increased its property tax base by over a third in seven years or with a 25-30 percent of the population of a less dynamic former intercity government and possible control of the local Democratic party within the

innercity jurisdiction with the political clout that such a percentage might enforce.

I have raised these questions about Indianapolis innovation because I believe that common dilemmas face most municipal innovations, and by adopting a more parochial self-critique, I will not disturb the efforts of reformers elsewhere.

City-county consolidation is not necessarily a wave of the future nor a relic of past dreams. It has been useful for Indianapolis because it led to an extraordinary surge in new building, new outside investment capital, a sharp rise in per capita earnings, and a sharp decrease in the number of citizens with incomes below the poverty level. Big league sports, much more entertainment, new hotels, the building of the convention center desired for decades, and rejuvenation of inner-city retail sales in addition to suburban retail prosperity all occurred in a five year span following the Uni-Gov Act of 1969.

Also undeniable and vitally important was a greater sense of racial cooperation accompanied by fair employment and fair housing ordinances now enforced countywide and a new *esprit de corps* of many citizens looking for greatness and excellence in a city.

The general government consolidation followed countywide reorganization over a 17 year period of parks, public health, transportation, planning and zoning, and a host of earlier special service district reforms. It did not include schools nor did it proceed to a countywide police department or fire department because a large majority of citizens did not want such provisions. In fact, public education is probably stronger in 11 large school corporations and fire fighting is considerably more efficient in the current status of professional and volunteer groups covering a large territory in cooperation.

“Strong leadership has been of the essence whether municipal modernization involved a single purpose district merger or an areawide umbrella organization.”

Leadership and Citizen Support

Strong leadership has been of the essence whether municipal modernization involved a single purpose district merger or an areawide umbrella organization. Frequently, the leadership elements have included a concerted Chamber of Commerce effort, strong support by the League of Women Voters or other governmental study groups, the formation of specific reform organizations, and in the most effective instances, the direct efforts of political parties linking elective officials in municipal, county, and state governments.

The leadership must have staying power. Few elected officials will have tenure long enough to remain through the length and breadth of community awareness, education, debate, decision, and implementation of substantial modernization. Ideally, one wave of citizen reformers succeeds another and picks up the reform momentum without too many succeeding intervals of reaction, reeducation, and weary retreat in the face of Federal, state, regional, and other local opposition.

But modernization has succeeded only when an obvious majority of citizens involved wanted it to succeed. The most important modernization occurs when the general will for unity exceeds even by a small margin the deeply held feelings of many citizens for divisiveness.

Unity movements have taken a beating more often than not because of fear that government might be less responsive, might cost more, or become too ambitious with its new potentialities and thus raise more taxes. Despite the usual campaign platform calling for more home rule or demanding that Federal or state officials should “leave us alone,” actual proposals that would give more power to wield authority and to tax at the local level are usually defeated as a majority of citizens genuinely fear the results of the home rule which sounded much better in the abstract.

Of even greater consequence as

city-county consolidation or various forms of regional government are discussed is the fact that citizen movement is often characterized as a desire for better housing, more land, more room, and better services. At the heart of such movement is very strong fear of criminal attack. The fear of crime unfortunately, is well founded in many central cities. The crime problem, as various LEAA studies have documented, involves many young men, and the odds of a black citizen being either the criminal or the victim are high. The flight by white families and black families who had the option of mobility has left many helpless and less affluent white and black citizens in a no man’s land of urban disaster in many cities.

On top of this, Federal courts continue to mandate racial balance in public schools which have been rocked by many other hardships and are unlikely to improve on the basis of racial balance or imbalance until neighborhoods around the schools and patrons of the schools have much more going for them.

Citizens who are caught up in fear of crime with reinforcement of fears created by schemes of racial balance are not good prospects for unified or modernized government. Until the crime rate is reduced substantially in most cities and the era of racial balance by the numbers comes to a close, the subject of municipal modernization will be largely an internal shoring up of deficiencies and occasional functional service adventures which do not involve much risk of racial discord and which do not involve schools or police powers.

The Uni-Gov reform in Indianapolis which did not touch the school corporations has led to a building boom in the central city and the provision of more tax base behind each inner city school child than in any of the ten suburban systems save one.

As a practical political matter, the Indiana legislature of 1969 would not have passed a bill to unify Indianapolis and Marion County civil governments if school consolidation had been a part of the plan, and only Indiana state government can provide for the unifying of any governments, general or special service in Indiana.

In the scope of these comments, I will not support a number of broad assertions with the argumentation necessary for more scholarly pursuit, but I am contending that the general problem of criminal activity blocks the door of much serious reform activity. To the extent that the crime problem becomes entangled with racial dilemmas and public school racial balance questions, the municipal reformer must become a miracle worker. The old problems of tax differentials which used to divide city dweller and farmer in discussion of school or civil consolidations may still prove to be tough for many citizens to surmount, but those difficulties pale before the pathos of larger city and larger suburban county struggles with race, crime, and school busing.

Because the stakes are high and the mountains steep, the adventure of reform at the local level is all the more inviting for citizens who are truly serious about making a difference in the human condition. Local reform is the toughest political effort of all. Insulated by miles of distance and a retinue of able staff, the Federal administrator or legislator advocating even the most courageous of pronouncements is not in the same ball park with the profiles in courage at local street corners and church basements where face-to-face contact and the bruising scuffles involved in persuading neighbors takes more stamina, more patience, more courage, and a deep reservoir of optimism and good will.

How easy it is to issue guidelines from afar and publish endless rules

which surpass the abilities of most local officials to have time to read, but how tough and how genuinely significant it is to obtain a favorable vote for a change in a crowded meeting hall amidst cheers and jeers and threats of individual economic and physical retaliation that can be understood immediately.

The prospects and procedures of municipal modernization need to be understood by all who are to make a significant contribution to stronger cities at any level of policy making. Victory comes hard and it often takes an agonizing amount of time, but there will not be ultimate victories for so called national policies of public safety, public health, environmental cleanup, and the standards of public education required in a sophisticated democracy until local governments have the appropriate organizational structures, sufficiently talented personnel, and adequate funding to perform the tasks which the rest of the nation, as a whole, deems essential.

Richard G. Lugar first became active in city politics in 1964 when he was elected to membership on the Indianapolis Board of School Commissioners. He served as that board's vice president in 1965 and in 1967 was elected mayor of the city of Indianapolis. He was reelected to that office in 1971. He is past president of the National League of Cities, a member of the Advisory Council of the U.S. Conference of Mayors and a member of the board of directors of the National Association of Counties. He is currently vice chairman of the Advisory Commission on Intergovernmental Relations.

County Modernization in the U.S.

By Conrad M. Fowler

Probate Judge,
Shelby County, Alabama



In the beginning, our forebears organized the states; the states created counties, authorized the formation of municipalities, and joined together to form the union. The counties and the municipalities derived their structures and powers from the states.

The states needed a local unit to conduct elections, provide schools, assess and collect taxes, hold court, build rural roads, police rural areas, and care for the poor. These functions were assigned to the counties. The population of the counties outside municipal areas was sparse, and in the main, selfsufficient. There was little need to give counties authority to deliver local type services, adopt ordinances, or levy taxes — other than those authorized by general state laws. After all, the legislature met every two years, and county leaders could always petition for additional authority.

The counties were provided neither a legislative body nor a chief executive officer with power to appoint department heads, accountable for the day-by-day operations. County responsibility was fragmented among separately elected assessors, collectors, court clerks, sheriffs, county commissioners, treasurers, and others.

Even today, county government across the nation is so varied in name, structure, and function that no one designation can be used to identify county officials or county government without need for further explanation. Counties clearly mean many different things to the many local electorates within our 50 states.

Municipalities were given a much broader package of authority and a more suitable structure for governance. Municipalities served a more dense population, requiring a greater variety of local services. Hence, it was necessary that portions of the states' power to legislate and to levy taxes be delegated to these

units. A policy making body and a chief executive officer — instantly recognizable throughout the land today as the city council and the mayor—were provided.

Present Pressures and Reforms

So long as the counties remained rural and sparsely populated, county government functioned adequately. Yet, in due time, the spread of the population into the unincorporated suburbs, along with the accompanying demand for municipal services, brought the need for county modernization to the forefront. Counties with 18th century governmental structures and authority cannot supply the needs of suburban citizens in 1975. Nor can they meet the current areawide needs of citizens in both their incorporated and unincorporated areas.

A modernization trend in county government accelerated in the 1950s, continued in the 1960s and is proceeding with some vigor in the 1970s. How are counties modernized? You begin with state constitutional changes and by general legislation providing for charter adoption or for optional forms of government. These modifications generally result in granting legislative power to the county governing body, except as limited by the state constitution, the general laws of the state, or the county charter. They usually lead to a change in the structure, so that one official emerges as the chief executive or chief administrative officer and a legislative body is assigned the policy making role, but with no administrative responsibilities.

In 1969, the National Association of Counties (NACo), in order to keep abreast of new developments, began a service called "New County U.S.A." In 1973, NACo published a *FACT* book on American counties, which included a wealth of information relating to modernization efforts across the country. It reported that:

- Fifty-seven charter counties provide county government to 32-million Americans. (By the end of 1974, the number of

charter counties had risen to 67.)

- Twenty-four of the nation's 68 counties having a population of over 500,000 have charter government.
- In California and New York, 70 percent of their total state population governed by counties lives in charter counties.
- In Maryland, 59 percent of its citizens reside in charter counties.
- Fifteen states have charter counties. (By the end of 1974, this figure rose to 16.)
- Since 1960, 13 states have provided home rule legislation for their counties.
- Of the 57 charter counties (in 1973), 35 had chosen the council-elected executive form of government; the remainder, the council-administrator form.
- Twenty-one city-county consolidations now have been achieved, with 13 having been approved since 1947 and four of these since 1969.

NACo's weekly paper, *The County News*, in its December 16, 1974, issue, reported that about 500 counties, representing 60-million people, now have a county-manager form of government under which an elected commission appoints an administrator with executive responsibility and some 57 counties now elect a county chief executive.

The Rationale for Reform

Counties clearly are on the move, and with good reason. For some time now, various experts on American local government as well as politicians and other practitioners have emphasized that modernized counties could meet many of the pressing jurisdictional, fiscal, and functional challenges confronting both rural and urban America.

In 1966, The Committee for Economic Development, in its report on *Modernizing Local Government*, declared:

Counties have high, but undeveloped, potential for solving the problems of rural, urban, and most metropolitan communities. Their present legal powers are less adequate than those of municipalities, however. And, county structural organization and staffing patterns are obsolete. If the nation is seriously concerned about stronger and better local government, as it should be, these weaknesses must be remedied to permit counties to play a major role.

More states are beginning to recognize that more authority must be assigned to county government, that county officials — meeting regularly and under public scrutiny, covered by the media, audited annually, and held accountable periodically at the polls — are as suited to provide service, to make judgments on the levy of taxes and the expenditures of funds, and to adopt ordinances — as officials elected to serve in municipal government.

Moreover, well structured and adequately empowered county governments possess special servicing capacities:

- County government comes closest to being the government that covers the same territory as such problems as solid waste collection and disposal, mass transit, pollution, public health and welfare programs, zoning and land use programs, courts, law enforcement, corrections, probation and parole, code enforcement, and others.
- Reformed counties have a broad tax base and the capability of relating a given tax or user charge to a particular service.
- Such counties are well suited to coordinate the efforts of cooperating municipalities in the delivery of local services.

“Counties clearly are on the move, and with good reason . . . Modernized counties could meet many of the pressing jurisdictional, fiscal, and functional challenges confronting both rural and urban America.”

- Finally, counties can take a leading role in confronting the substate regional challenge with its many single purpose districts and authorities; about 170 SMSAs, after all, are composed predominantly of one county.

The Hurdles

The modernization of counties then means changing the governmental structure and expanding the power and authority of counties to pay for and deliver needed areawide and local services. And, the record indicates an increasing tempo in the beat of county reform.

Yet, another trend also is underway. Thousands of single purpose special districts, public authorities, and regional agencies have emerged. Some deliver municipal type services. Some merely plan, coordinate, and perform technical assistance functions within their special program areas. Some are encouraged by Federal legislation; some have been mandated by the states; and some have been created by local governments. But all combine to create a new challenge. Unless county government is modernized, it will lose its potential role as the most suitable provider of areawide and local services, as the proper planner and coordinator of regional programs.

Experience shows that modernization does not come easy. The hurdles are high and on all sides, including:

- State legislators, jealous of their authority over county government, and unwilling to vote home rule power to county officials;
- Citizens, unimpressed with the performance of county officials, unwilling to vote constitutional changes to grant broader authority to the county level, and unaware that a poor record often is more the result of a state straight jacket around county government than a lack of ability in county officials;
- County officials elected to perform one assignment and op-

posed to any change therein;

- Elected non-policy making county officials who fear a diminution of prestige should they be placed in a non-elected status;
- Municipal officials who are reluctant to see a modification of long established patterns of functions and services; and
- Prevailing skeptical, if not cynical, attitudes toward all governments which ease the task of those who oppose reform and add to the difficulties of those who seek it.

An Agenda

The effort to modernize county government needs a catalyst. For many years, the reports of ACIR have been a resource for improving intergovernmental relations and have been relied upon in a number of states as authoritative works that provide a good basis for governmental reform efforts. State and local office holders, the media, and the citizens can all find recommendations in ACIR publications that have been thoroughly researched by what surely is one of the outstanding staffs in Washington. They are well documented, and above all, they have passed the scrutiny of the 26 members of ACIR who represent the public and all levels of government.

ACIR's publications can serve as a point of departure for any group in any state concerned with county modernization. These publications are valuable, not only for their quality, but because of the scarcity of reliable information on county governmental reform. Two recent important ACIR publications cover the subject in depth: *The Challenge of Local Governmental Reorganization and County Modernization: A Legislator's Guide*. Three of the former's recommendations deal directly with county modernization. The first provides a complete package of county structural reform initiatives that, in

addition to an optional forms authorization:

- calls for a full time executive officer for metropolitan counties, appointed by the board or elected by popular vote;
- would place county officers on a statutory rather than a constitutional basis;
- would empower consolidation of comparable or identical county officers and functions in adjoining counties; and
- would authorize consolidation of contiguous counties.

A second proposal urges enactment of state legislation that would clarify and systematize the functional responsibilities and relationships of counties and municipalities. The third would provide a stronger supportive role for the state in the assignment and transfer of certain functions to counties and municipalities.

County Modernization: A Legislator's Guide contains drafts of legislative bills that incorporate these recommendations. These bills, if enacted, would fully modernize county government, since they would:

- transfer residual powers from the state to local government;
- provide optional forms of government and place county officials on a statutory basis;
- authorize consolidation of local governments and of county offices;
- establish a system for the transfer of functions and authorize the county to perform urban services;
- permit counties to create subordinate service areas in order to finance and provide services in specific portions of a county;
- increase county planning, zoning, and subdivision controls in unincorporated areas; and
- extend county powers in relation to local planning and zoning actions.

Several of these may require constitution amendments; others could merely take the form of a statutory enactment. But if just half of the states adopted only one half of these proposals, a new day would have arrived in county government. The local taxpayer, the consumer of services, the counties as well as the other partners in any federal system — all would be the beneficiaries.

Counties clearly are at the crossroads. Their recent record is impressive. But, the challenges confronting them by no means have disappeared. In a very real sense, the fate of counties hinges on whether we accept the fragmented servicing strategy of the technocrats, specialists, and single program functionaries or whether we fully recognize the merit of the traditional argument for democratic government. If the latter prevails — and I believe it will — then we must accept the proposition that authoritative, accountable, multipurpose governments are needed between the states and the municipalities. And, we must reject the notion that a maze of special purpose regional mechanisms is an effective, responsive, or responsible approach to handling the mounting planning, financial, and servicing problems facing practically all of our urban and rural substate regions.

When decisionmakers at all levels, as well as the electorate, clearly understand the nature of these basic options, the cause of county reform can only be strengthened.

Conrad M. Fowler has been probate judge and chairman of the Shelby County, Alabama, governing body since 1959. He is chairman of the Alabama Constitutional Commission, former president of National Association of Counties and currently a member of its board of directors, and past president of the Alabama Association of Probate Judges. Prior to serving as probate judge, he was district attorney, 18th judicial circuit of Alabama. Judge Fowler is a member of the Advisory Commission on Intergovernmental Relations.

Revenue Sharing: Renewal Time Approaches

By Edmund S. Muskie
United States Senator, Maine



I am glad to have an opportunity to speak to you today on a subject of such great interest to all of us.

I want to begin by saying that I continue to be a firm supporter of revenue sharing. Having made that clear, I want to say also that revenue sharing — as we now know it — faces rough sledding in Congress. The title of my remarks uses the word “renewal” as if reenactment were a foregone conclusion. That may be so, but it will be neither automatic nor easy.

I do not mean to play the role of the alarmist here this afternoon. Nevertheless, I think that candor is in order. For if we are going to insure the continuation of revenue sharing in anything resembling its present form, we cannot afford to overlook or underestimate the opposition that has mounted against it.

Revenue sharing has been an important shot in the arm for our federal system. But there have been problems, and those problems have generated opposition that we must deal with to reenact the program. That opposition is remarkably similar to the arguments raised against revenue sharing back in 1971 and 1972. Fiscal conservatives then opposed revenue sharing because it separated the easy task of spending money from the difficult one of raising it. Liberals opposed the idea because they wanted Federal money to be spent on specific social programs. Neither group trusted state and local officials to spend the money responsibly.

Arguments Against the Program

But today, there are new arguments that may be raised. Those who opposed the unfettered give away of Federal money three years ago now have an enormous Federal deficit to worry about. It is not inconceivable that they could select revenue sharing as one area ripe for budget cutting. Those who three years ago wanted revenue sharing funds tied to specific social programs have since

seen revenue sharing used to justify drastic cutbacks in the very programs they supported. And they have seen revenue sharing funds going to some communities with little need, and into projects with little social impact.

In the middle, there are many in Congress who are simply indifferent to the fate of revenue sharing. It is not an issue that generally stirs passions in its support. To be sure, the constituents of revenue sharing will be able to rally considerable support for their cause. Working to their benefit will be the current disarray of the economy, which has many state and local governments in their worst fiscal shape since the depression, with promises of harder times to come. That these conflicts will be resolved, through renewal of revenue sharing, may not be in doubt. The form that resolution will take is a different matter.

Those critics who feel revenue sharing is a retreat from national social goals may want to attach more strings to the money or require an application process to insure that only worthy projects are funded. Those critics who feel that revenue sharing is too expensive and that the money is just being thrown away may want to subject revenue sharing to the annual appropriations process or limit the life of the program to one or two years only.

We who support a continuation of revenue sharing — in more or less its present form — must be prepared to meet these efforts, by focusing on constructive alternatives. And it is not too soon to begin that process now.

First and foremost, we must redefine what revenue sharing actually is, and what it was intended to accomplish. During the first years of operation the program has, unfortunately, acquired a mistaken identity. To many, it has come to mean a retreat from social progress, even though it was never intended to replace ongoing social programs. For many others, revenue sharing was a victim of the

expansive rhetoric of the "New Federalism" — a "new American revolution" which promised to reverse overnight the imbalance of generations of increasingly centralized government.

When measured against such a promise, it is small wonder that revenue sharing comes up short. If there is one thing we all should have learned from our experiences of the 1960s, it is that programs which overpromise will inevitably leave hopes unrealized, and confidence undermined.

As we begin anew the debate on revenue sharing, we must now allow that to happen again. We must redefine revenue sharing in terms of its original purposes which were, in fact, quite limited.

Purposes of the Program

First, to relieve the fiscal problems of hard pressed local governments with inadequate or inflexible tax bases.

Second, to reduce the regressive burden of state and local taxes by substituting revenues from progressive Federal income taxes.

And third, to give people at the state and local levels the resources and the flexibility to develop solutions suited to their unique problems.

Returning to these relatively modest — but extremely meaningful — goals is necessary as the Congress considers reenactment.

The proper role for revenue sharing is, and always has been, that of a complement — not a substitute — for a balanced mix of general revenue sharing, block grants, and categorical programs. When measured by this more limited test, we find that the success column for revenue sharing is longer than the critics would have us believe. In most cases, revenue sharing monies have gone into worthwhile programs. Hot lunches for the elderly, improved police protection and health care, and new sewage treatment facilities are just some of the successes. In many other instances, state and local taxes

have been held down because of revenue sharing. And I might add that in many of our urban areas holding down property taxes is a worthy social objective.

The plain fact is that — matching the record with the original goals — revenue sharing is a demonstrated step forward. And once the bugs have been ironed out, its potential is even greater.

The Difficult Questions

Which brings us to the next round of difficult questions. Once we have agreed upon our objectives, we have to make some tough choices about how we want to achieve them. Some of these choices are necessary because of flaws in the program that have become evident since 1972.

Others are choices that should have been made before revenue sharing was ever enacted but which were avoided in the spirit of compromise deemed necessary to get any program at all. Perhaps the most difficult question of all is if it makes sense, or if we can afford to give something to everybody under revenue sharing, whether they need it or not. That is what we did in 1972, in order to get a bill. As a result, we gave revenue sharing critics some of their best ammunition.

I personally do not think it does make sense, and I do not think we can afford to give revenue sharing money to certain units of government simply because they exist but serve no substantial governmental function. I don't think it makes sense, nor do I think we can afford to give money to affluent communities with no demonstrated need for assistance, while big cities with big problems have arbitrary limits imposed on the amount they can receive. The old formula gave us a consensus, which was needed at the time. But in the process, we lost sight of our purpose.

So our first tough choice this time around must be to rewrite the revenue sharing formula to insure that greater emphasis is placed on need.

“Revenue sharing has been an important shot in the arm for our federal system.”

We need to raise or eliminate the ceiling that holds down payments to cities, relative to other communities in the same state. We must find a better way to judge the amount all governments should receive, and adjust the formula where it deprives cities of needed funds because they are located in relatively affluent states. At the same time, we need to revise the 20 percent floor where it benefits wealthy communities or governments with very limited functions.

A second difficult question that faces us in renewing revenue sharing is the matter of incentives for tax reform at the state and local levels. During the original debate on revenue sharing, a number of members of Congress, including myself, wanted to explore the possibility of using revenue sharing assistance as an incentive to state and local governments to move toward more progressive tax structures. In the search for a consensus on a revenue sharing bill, that idea was abandoned. This time around, we should consider reopening that question. To be sure, tying tax reform to revenue sharing is going to be unpopular with a good many people. But we must consider the argument of critics that revenue sharing has actually shored up regressive state and local tax systems. For every time a local government has been able to cut property taxes because of revenue sharing funds — as necessary as that may be in some instances — the pressure for reform is weakened.

A third major focus of the revenue sharing debate must be on improved civil rights enforcement. The problem here is not one that we avoided during the original debate, but one which has reared its head since that time. The U.S. Civil Rights Commission has just released a blistering report confirming the poor enforcement of the civil rights provisions of the act. In our upcoming efforts to enact a renewal of revenue sharing, we must make it very clear that simply because these funds are free, they are not a blank check to dis-

criminate. We must also assure that the Office of Revenue Sharing has the staff to enforce the law.

And we must assure for local citizens the opportunity to participate more fully in decisions about how revenue sharing money will be used.

These three major areas of change that I have outlined will not please everyone. If all were adopted, there would be some disappointed governments who would receive less than under the present formula. Some might, in fact, receive nothing at all. But we must recognize that a large part of our present problem is that in 1972 we did try to please everyone, with consequences we may not want to repeat.

Today, in 1975, there is a growing realization that the size of the Federal pie is limited, and that we simply may not be able to afford spending money where it is not needed. Nor may we be able to continue propping up state and local tax structures which do not make the most efficient and fair use of the tax base throughout the nation.

I said at the outset of my remarks that we supporters of revenue sharing must focus our efforts carefully. This means sticking to limited objectives, and not promising more than the program can produce. It also means ensuring that we get the most for our money, by fully considering the tough choices I have described. The health and vitality of our federal system demands the continuing attention of us all. Revenue sharing is only a part of that effort, but one well worth fighting for.

Edmund S. Muskie, United States Senator from Maine, served in the Maine House from 1947 until 1951, as floor leader during the last three years, and as governor of Maine from 1955 to 1959. Senator Muskie chairs the Senate Budget Committee and the Intergovernmental Relations Subcommittee of the Senate Government Operations Committee. He was an original sponsor of the bill that created the Advisory Commission on Intergovernmental Relations and has served on the Commission since its inception.

The New Mix of Federal Assistance: Categorical Grants, Block Grants, and General Revenue Sharing

It is no news to you that Federal financial assistance to state and local government is almost as old as the nation itself. But in our early history — even proportionately to the minuscule total expenditures of government — such assistance did not amount to much. That did not keep it from being controversial then, even as it is today. State and local governments wanted to stay small, and they especially wanted to keep out of the clutches of the Washington bureaucracy.

The great depression of the 1930s changed all that. At least some of you here are old enough to remember that period firsthand. We had WPA, FERA, NYA, and a long list of other agencies set up to help states and localities with their economic recovery efforts.

Just ten years ago, Federal aid added up to only about \$12-billion — compared to more than \$55-billion projected for 1976. Percentagewise, its portion of the total budget increased during this period from about 10 percent to 16 percent — and as a percentage of state and local outlays, from approximately 16 percent to 23 percent. Total Federal outlays within this period have increased only half as fast as Federal aid to state and local governments.

But the overall impact of Federal assistance is obviously greater than the financial figures indicate. Why? Because most of the assistance is conditional, designed:

- to produce action in a particular way,
- to divert state and local budgetary resources to a different set of priorities — primarily to meet national versus state or local objectives, and
- to stimulate additional taxes or borrowing efforts.

In recent years, this indirect effect has become particularly important in such areas as health, education, and income security. Ten years ago,

By Elmer B. Staats

Comptroller General
of the United States

about 30 percent of Federal aid went for highways; in 1976, only 12 percent is so budgeted.

These totals indicate there is plenty of federalism in action, and views on the implications for the future of federalism range from optimism and hopes to predictions of disaster for the federal system — depending on one's political philosophy or perhaps on how hopeful one may be as to our ability to master some of the problems which have risen to plague us, such as:

- excessive administrative requirements;
- inability to respond to changes in state and local priorities;
- inability to delegate decision making to Federal field offices; and
- overlapping sources of funds for the same or closely related purposes — 230 in the health field, to mention a dramatic example.

Improvements in Delivery of Federal Assistance

The substantial growth in the number and variety of Federal assistance programs has been accompanied by increasing criticism and demands for reform, even from supporters of expanded assistance to state and local governments. Recognition of the need for reform in the delivery system of Federal assistance is not a recent phenomenon. Since the mid-1960s numerous attempts have been made by the legislative and executive branches to improve the delivery of assistance to state and local governments. I think it would be helpful to review a few of these efforts.

Intergovernmental Cooperation Act of 1968. Two major steps were taken



“Recognition of the need for reform in the delivery system of Federal assistance is not a recent phenomenon.”

pursuant to the requirements of the *Intergovernmental Cooperation Act of 1968* — the issuance of OMB Circulars A-95 and A-98. The broad purpose of Circular A-95 is to facilitate intergovernmental cooperation by offering state and local governments and others the opportunity to comment on the consistency of proposed projects with state, regional, and local policies, plans, and programs. Circular A-98 (now administered by the U.S. Treasury Department) prescribed a standard process and a standard form for providing timely and uniform notification of grant award data to the states.

Joint Funding Simplification Act of 1974. This act permits the use of simplified and uniform administrative rules and procedures when a project requires assistance from two or more Federal agencies. Prior to enactment of the legislation, the Integrated Grant Administration Program was conducted on an experimental basis by OMB and GSA to demonstrate the feasibility of joint funding.

Comprehensive Health Planning Amendments. The *Comprehensive Health Planning and Public Health Services Amendments* to the *Public Health Service Act* established a program to assist states and local communities to produce comprehensive plans for meeting their current and future health needs.

Sixteen existing categorical grants for health services were consolidated into block grants on a formula basis for comprehensive health services and on a discretionary basis for directing funds to areas of greatest need.

Comprehensive Employment and Training Act of 1973. This act replaced the numerous categorical manpower programs that were authorized by the *Manpower Development and Training Act of 1962* and the *Economic Opportunity Act of 1964* with a new comprehensive manpower program of block grants to state and local governments for planning and operating programs. Previously, appropriations under these laws supported over a dozen categorical manpower programs, including institutional training, neighborhood youth corps, new careers, operation mainstream, job opportunities in the business sector, and the concentrated employment programs.

Housing and Community Development Act of 1974. This act is still another recent attempt to simplify the delivery of Federal assistance to state and local governments. It consolidated seven categorical grant programs into a comprehensive block grant program for community development.

This consolidation is expected to reduce paperwork and red tape, expand state and local responsibility, and help assure greater continuity of funding because of the program's three year authorization.

Congressional Budget and Impoundment Control Act of 1974. An attempt to improve the Congressional budget review and appropriation process, the *Congressional Budget and Impoundment Control Act of 1974*, is important and relevant enough to be mentioned here.

Among other things, it provides for establishing and maintaining a standardized data processing and information system for fiscal, budgetary, and program related data and information to meet the needs of Federal, state, and local governments. It also accepts the principles of

multiyear authorization and advance funding which have been needed for many years.

Federal Assistance Review. To streamline and speed up the flow of Federal assistance, the President initiated the Federal assistance review in March 1969 conducted by OMB and 14 major government departments and agencies. In brief, its purpose was to place greater reliance on state and local governments, move Federal decision making out of Washington, D.C., and reduce red tape. Results of this program to date include:

- the establishment of common regional boundaries and locations for the major grantmaking agencies, and
- the formal creation of Federal Regional Councils, and development of uniform administrative requirements for grants to state and local governments.

Problems in Delivery of Federal Assistance

General Accounting Office studies conclude that, despite the actions taken to improve the delivery system, fundamental problems continue. We have barely scratched the surface — there is still a lot to be done to achieve the objectives of the *Intergovernmental Cooperation Act*.

Federal agencies still insist on the "unique" requirements of individual programs and have a general lack of rapport with state and local officials. Many other problems are directly attributable to the proliferation of Federal assistance programs and the fragmentation of responsibility among different Federal departments and agencies.

Our conclusion is that the present delivery system:

- lacks an adequate means for disseminating grant information needed by state and local governments,
- creates a high degree of funding uncertainty due to late authorizations and appropriations

and executive impoundment of appropriated funds,

- fosters complex and varying application and administrative processes, and
- is fragmented with similar programs being administered by different Federal agencies or agency components and with programs too restrictive to meet state and local needs.

State and local governments must devote too much time and effort to simply keep informed of available Federal assistance. In spite of their efforts, available assistance is often learned of too late or offered under time constraints such that state and local governments cannot take advantage of it.

I am aware that these comments may simply repeat these and other criticisms you have heard many times before. Why do the problems persist?

We in the GAO feel that the most important single way to reduce the complexity of the current system is to further consolidate separate programs serving similar objectives into broader purpose programs and to assign programs serving similar goals to the same Federal agency.

There are a number of ways of achieving these objectives: one approach would be to enact previously proposed amendments to the *Intergovernmental Cooperation Act of 1968* which would establish a mechanism for achieving program consolidation. The proposed amendment would direct the President to periodically examine various assistance programs and recommend to the Congress for approval those program consolidations deemed necessary or desirable.

“We at GAO feel that the most important single way to reduce the complexity of the current system is to further consolidate separate programs serving similar objectives into broader purpose programs and to assign programs serving similar goals to the same Federal agency.”

Perhaps equally important is the need for greater use of multiyear appropriations and forward funding of Federal assistance programs as a means of reducing the present high level of funding uncertainty for grantees as well as the program agency involved.

Thus, we have a mix of methods for providing Federal assistance — categorical grants, block grants, general revenue sharing, and tax expenditures — each of which has played an important role in providing Federal financial assistance, a pattern developed through an evolutionary and incremental process over nearly two centuries.

Categorical Grants

At the risk of oversimplification, we can describe in general terms the process which led to the development of categorical grant programs. The Federal government, when it moved to legislate on a problem of national concern, had to determine whether the problem was such that it warranted national administration or a cooperative program with state and/or local governments. Categorical grants rest on the concept of dealing with national problems with a maximum involvement of state and local governments.

For a typical categorical grant, however, there is usually strong direct Federal influence on how the solution of the problem is to be approached. The administrative detail involved usually results in higher administrative costs. Reporting, accountability controls, and grant application and approval systems are inevitable if the Federal government is to be assured that the funds are spent effectively in carrying out the statute involved.

Categorical grants are of limited help in responding to changing needs or different problems since both the grantor and grantee have limited flexibility in directing funds away

from the legislatively defined problems for which they were made available. As new problems are perceived, new categorical grants are created, but old grants build a constituency that often keeps them alive even when the need for them may have passed or have been outweighed by some newer concern. As a result, many similar categorical grants have developed which need to be coordinated. However, their sheer numbers often defy efforts at coordination.

Having offered these criticisms, it is important to emphasize that categorical grants have an important role in the delivery of Federal assistance. They are especially valuable for research and demonstration activities or when the overriding objective is to prescribe a minimum level of services.

Block Grants

I will now turn to block grants. Interestingly, proposals for block grants can be traced back as far as 1949 when the first Hoover Commission urged that "a system of grants be established based upon broad categories . . . as contrasted with the present system of extreme fragmentation." I am hesitant to speculate as to what the Hoover Commission would say today in the light of what has happened since that time.

Block grants by definition are broad in purpose, focusing on functional areas. For example, before the passage of the *Comprehensive Employment Training Act of 1973*, which replaced numerous categorical manpower programs with a manpower block grant program, a grantee received funds separately for such purposes as youth employment training and public employment. If the grantee had a greater need for public employment activities than for youth employment training, it nevertheless had to operate with only the funds provided or else supplement these funds with its own resources. Youth employment training funds could not be used in support of separately prescribed public employment activities. Under the new block

grant, a grantee has more flexibility to apply as much of the manpower funds as he feels appropriate to public employment activities.

By our earlier definition, there are currently five block grants, of which only the *Partnership for Health Act of 1966* and the *Safe Streets Act of 1968* have been in operation for any length of time. Both programs are similar in that most Federal funds flow in a block to the states which, in turn, make funds available to their political subdivisions. However, the two programs arose under different circumstances — the Partnership for Health program resulted from a consolidation of 16 existing categorical grants and the Safe Streets program was enacted in response to a national concern for which no comprehensive Federal assistance program existed.

Two principal considerations gave rise to the creation of block grants: (1) reducing the administrative workload and costs associated with categorical programs and (2) providing recipients with greater flexibility in using available funds. No one really knows whether total administrative costs are reduced under the block grant approach. We plan to study this in the future. The record may possibly show that the administrative burden at the Federal level is shifted from the review of multiple applications and proposals for assistance to the review of operating plans. However, it certainly seems logical that, when separate categorical grants are combined into a single grant, administrative costs should be reduced. The matters of administrative costs and flexibility in resource allocation also require further study. For example, we have found that some states receiving funds through a block grant often pass the funds on to their political subdivisions on a categorical basis.

The matter of flexibility, a principal characteristic of block grant programs, raises the important question — some would say dilemma — of just how far consolidation can be pursued without sacrificing the national objective for which the grant was created. Block grants place a major responsibility on states to

- assume leadership in an area of major concern,
- avoid the temptation of excessive categorization of funds provided to the political subdivisions,
- develop and maintain a harmonious working relationship with the political subdivisions, and
- evaluate the results of the broader program objective.

Along with these responsibilities comes a downward shift in the degree of direct Federal influence over the solution of national problems. To the extent this shift can be accomplished — while at the same time maintaining a delicate balance of national, state, and local concerns — block grants will become increasingly important as a method of providing assistance to state and local governments.

General Revenue Sharing

General revenue sharing is the most recent approach to assisting state and local governments. The Congress concluded that aid made available under this program should provide recipient governments with broad flexibility in the use of the funds with only very general guidance from the Federal government. State and local governments automatically receive revenue sharing funds, whereas they must apply or submit a plan for assistance under categorical or block grants. Revenue sharing funds may be used by a local government for priority expenditures in a number of areas broadly defined by the legislation and by a state govern-

“I predict that general revenue sharing will be the most controversial, debated, and studied of all Federal assistance programs.”

ment for generally whatever it decides.

General revenue sharing can be best characterized as general fiscal support payments or — perhaps more accurately — as income redistribution payments. I predict that it will be the most controversial, debated, and studied of all Federal assistance programs.

GAO is directed by law to assist in the Congressional evaluation of the program by reviewing the activities of the Treasury Department and the use of funds by state and local governments. GAO has issued two reports to Congress on revenue sharing and several other studies are currently underway.

In both reports, our chief concern was the inability to identify what has actually happened as a result of the program. Because of the wide discretion recipients have in using the funds, revenue sharing in its simplest terms represents merely an addition to the total resources available for governmental expenditure. Revenue sharing, aid from other governments, and a government's own resources are used to provide the same services. This creates a situation where funds can be easily displaced or substituted. Thus, there are a variety of effects which are not necessarily reflected by the direct use of the revenue sharing funds. For instance,

- its own funds may be freed to finance other programs (new or old),
- it may be able to avoid increasing taxes,
- it may be able to reduce taxes, or
- it may experience a combination of these or other consequences.

Because budgetary choices among competing programs and decisions regarding the methods for financing

a government's budget are typically based on total resources available to the government, it is extremely difficult, and probably impossible, to objectively identify the effects of revenue sharing. This is a problem for us at the Federal level and also for citizens and state and local officials. The data reported merely portrays activities being directly funded with revenue sharing. To be meaningful, such data should be integrated and related to total expenditures for state and local activities by purpose or function.

In a broader perspective, the development of comparable information on the activities of state and local government would be of great value at the national level, not only in evaluating revenue sharing but also in establishing funding priorities for all Federal financial assistance programs.

At least conceptually, tax expenditures that aid state and local governments are similar to revenue sharing or income redistribution programs in that they do not involve the procedures applying to categorical or block grants. The subject of tax expenditures has received new interest with the passage of the *Congressional Budget and Impoundment Control Act of 1974*, which requires the budget to identify tax expenditures and requires the Congress to consider tax expenditures in relationship to total Federal expenditures.

The exclusion of interest on state and local securities from Federal taxable income permits these jurisdictions to borrow at lower rates of interest. In 1976, this will reduce Federal receipts by nearly \$5-billion. Moreover, when individuals are permitted to deduct state and local taxes from their taxable income, the jurisdiction is able to raise a dollar of revenue with less than a dollar net cost to its taxpayer. This is a difficult figure to identify precisely in advance, but it is estimated that it will total about \$16-billion in fiscal year 1976.

Summary and Conclusions

I can certainly agree with the implications of the title of the subject given me today — that different approaches to Federal assistance involve different management and money implications. Probably more important still is the potential implication for the future of our federal form of government. We are undoubtedly going to need all of the present forms of assistance, or at least elements of them. It is not likely that we have seen the end of the growth of Federal assistance. At the risk of being contradicted by all of the papers delivered at this conference, I doubt whether we have fully assessed the dangers which lie ahead — and which are possibly inherent in massive Federal aid — unless we are willing to realize that over a period of time we can, and possibly already have, radically revised our concept of the relationship of the Federal, state, and local governments. The concept of the Constitution as a living and flexible document is no more sharply illustrated than in the financial relationships of the Federal-state system. I am not suggesting that this changing relationship is necessarily bad, but we need to understand its potential implications. We need to go back to the hearings which led to the enactment of the *Intergovernmental Cooperation Act of 1968*, to accept that statute as probably the best starting point available, and to see whether we can build upon it. We particularly need to take seriously the concept in that act of a periodic assessment of both the need and form of various assistance programs. I am encouraged to note that the Advisory Commission on Intergovernmental Relations recently initiated

a broad study to assess the effectiveness of the methods of delivering Federal assistance. More work needs to be done. Efforts at further improvement require the interest and joint participation of policymakers at the Federal, state, and local levels. No one level of government can do it alone.

Elmer B. Staats became Comptroller General of the United States in 1966 following 26 years of service in the Federal government. Prior to his present appointment, he served as deputy director of the Bureau of the Budget under Presidents Johnson, Kennedy, Eisenhower, and Truman. Before joining the Bureau of the Budget in 1939, he was a fellow at the Brookings Institution. Dr. Staats holds a masters degree from the University of Kansas and a Ph.D. from the University of Minnesota.

Federal Assistance: Its Current Impact and Future Implications

By Daniel J. Elazar
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I think that Mr. Staats gave us a very good description of the present mix of Federal assistance programs and their uses, the reforms needed to make them work better, and even the dangers that lie in the whole business. I agree with him that the mix that we have is probably here to stay; I agree that we should move along the lines of reform that he suggested; and I certainly agree with the necessity to remind ourselves constantly of the dangers and problems that this or any set of programs brings. In addition, however, I have three basic comments to make concerning the mix and its component parts. Finally, I would like to suggest that recent findings in political science raise new questions about some of the conventional wisdom that we have come to accept in the intergovernmental relations field and that we must come to grips with their implications.

First of all, I think that, in considering the mix, we should remember that categorical grants are not as narrow as they sometimes seem. I am certain that the research of the academic community on this subject and the experience of most of you in this room would converge on this matter. Fungibility is not difficult with categorical grants and, indeed, the fact that they tend to be controlled by specialists — the very element of categorical grants that has led governmental generalists to criticize them so severely — adds to their flexibility.

An excellent example of what happens when specialists are removed from the Federal plane of government is the recent raid on the U.S. Treasury in the area of social services. There was a loophole in the provision of the categorical grants and the specialists at the state level drove their trucks, at least 50 of them, right down through the middle of that program, running over the

generalists in the process and showing how broad a categorical grant can be when one knows how to use it. There are other similar examples.⁴ Categorical grants have a certain breadth within them which should not be overlooked and which has certain advantages in allowing both Federal scrutiny and state and local adaptation. And so, I think, it is not entirely accurate to follow the line that has been developing in the last few years that categoricals are necessarily narrow and that when you want to get away from narrowness, you have to get away from categoricals.

Second, **block grants** are not as broad as they are touted to be. In those block grants operating now, the little research that is available indicates that there is almost no difference in use of money as a block grant or categorical grant. The Partnership for Health program is perhaps the leading example of this. While the block grant has enabled the trimming away of certain peripheral categories or obsolescent programs, most expenditures have been along the same lines as in the past requiring only a different set of paperwork. Not only that, but Congress almost immediately started adding new categories to the block grants. There is a natural tendency on the part of those who are responsible for the appropriation of funds to try to guide the direction of their expenditures — a problem we are facing in connection with revenue sharing as well.

One point where I have to take some slight disagreement with Mr. Staats is in the implication that the states receiving **block grants** should not categorize when they pass them on to localities. I think that question is one each state should determine on its own. It is not categorization that is bad, *per se*, but whose priorities it reflects that is at issue.

⁴For further information on categorical grants, see:

William Anderson, "The Federal Equilibrium and the States," *Cooperation and Conflict: Readings in American Federalism*, edited by Daniel J. Elazar, R. Bruce Carroll, E. Lester Levine, and Douglas St. Angelo (Itasca, Illinois: F. E. Peacock Publishers Inc., 1969).

R. Bruce Carroll, "Intergovernmental Administrative Relations," *Cooperation and Conflict: Readings in American Federalism*, edited by Daniel J. Elazar, R. Bruce Carroll, E. Lester Levine, and Douglas St. Angelo (Itasca, Illinois: F. E. Peacock Publishers Inc., 1969).

Martha Derthick, "Professional Fiefdoms Appraised: The Case of Social Services," *PUBLIUS, The Journal of Federalism*, (forthcoming).

Morton Grodzins, *The American System* (Chicago: Rand McNally, 1968).

Edward Weidner, "Decision-Making in a Federal System," *Cooperation and Conflict: Readings in American Federalism*. Edited by Daniel J. Elazar, R. Bruce Carroll, E. Lester Levine, and Douglas St. Angelo (Itasca, Illinois: F. E. Peacock Publishers Inc., 1969).

Revenue Sharing

Third, revenue sharing is not as free as it is supposed to be. I think we all know that. There are certain constraints that come automatically. For example, the pressures on state and local governments during an inflationary period have certainly functioned to restrict flexibility in revenue sharing. Innovation and imagination in local governments come second in priority to budgets and budget deficits which have to be covered. Increased salaries must be dealt with first and foremost. Another restriction built into the law is that the state pass through money to the standard list of local governments. Because the standard national pass through was established without regard for local realities, we have counties in New England and townships in the Midwest that receive money to make them into governments that they weren't — not to speak of what this single act has done to the cause of local government consolidation. I am not a particular friend of local government consolidation, but I do believe in the option, and chances are that local, general purpose governments will not be willing to lose their own revenue sharing funds to consolidate. The same question can be applied to equal rights enforcement. I think none of us in this room are opposed in any way to the enforcement of equal rights. At the same time, there is a question of what happens when this enforcement power is transferred to the Federal government, as it could be under revenue sharing. Since revenue sharing money can touch every aspect of state and local government, a whole set of regulations might be promulgated under the act as it now stands, thereby defeating its fundamental purpose. And finally, we note that there are many conditions being proposed in connection with the discussion over the renewal of revenue sharing, some of which may well be enacted, and any of which would reduce the freedom of

action that revenue sharing was supposed to bring.

What this means, in effect, is that the mix is carrying us along the right lines and moving us in the right direction; it could lead us to a better balance of Federal aids than we have had in the recent past. But every solution creates its own problems, usually based upon unanticipated consequences and, in particular, on the existence of multiple and sometimes contradictory purposes, even on the part of those who unite in its support.

I am reminded of the story of the preacher who was trying to convince his congregation to give up strong drink. In the process of his sermon, he decided that he would give them a demonstration and so he very carefully pulled from inside his pockets two shot glasses, set them on the lectern in front of him, pulled a flask of whiskey and a flask of water, filled one with one, one with the other. He then carefully pulled two worms out of his watch pocket, dropped one in the water and it swam around, dropped the other in the whiskey and it shuddered and died. Then he turned to the congregation and said, "My friends, what does this teach you?" A man in the back row got up and said, "If you got worms, drink whiskey." Sometimes the Federal government is trying to teach the states and localities not to drink, when the states and localities want to get about the business of killing worms.

Despite a tendency to think otherwise, multiple purposes are to be expected and can be good, since that is what federalism is all about. So we must include them in our thinking, allowing and even encouraging them to flourish. This may require some rethinking of our premises.

“The mix is carrying us along the right lines and moving us in the right direction; it could lead us to a better balance of Federal aids than we have had in the recent past.”

⁵Martha Derthick, "Professional Fiefdoms Appraised," and

Tyrone Baines, "Categorical Grants and the Local Community: The Delivery of Relocation Services," *PUBLIUS, The Journal of Federalism*, 5, 4 (Fall, 1975, forthcoming).

⁶A. Lee Fritschler and Morley Segal, "Intergovernmental Relations and Contemporary Political Science: Developing an Integrative Typology," *PUBLIUS, The Journal of Federalism*, 1, 2 (Winter, 1972).

⁷Aaron Wildavsky and Daniel Goode, "Federalism, Planning and Organization Theory: A Review," (Berkeley, 1974, Mimeographed).

Earl M. Baker, Bernadette A. Stevens, Stephen L. Schechter, and Harlan A. Wright, *Federal Grants, The National Interest and State Response: A Review of Theory and Research* (Philadelphia: Center for the Study of Federalism, 1974).

⁸Daniel J. Elazar, "Cursed by Bigness or Toward a Post-Technocratic Federalism," *The Federal Polity, PUBLIUS, The Journal of Federalism* (Special Issue) 3, 1 (Spring, 1972).

⁹Vincent Ostrom, "Can Federalism Make a Difference?" *The Federal Polity, PUBLIUS, The Journal of Federalism* (Special Issue) 2, 1 (Spring, 1972). Vincent Ostrom, Charles M. Tiebout, and Robert Warren, "The Organization of Government in Metropolitan Areas: A Theoretical Inquiry," *American Political Science Review*, 55 (1961).

¹⁰Martin Landau, "Federalism, Redundancy and System Reliability," *The Federal Polity, PUBLIUS, The Journal of Federalism* (Special Issue) 2, 1 (Spring, 1972), 173.

¹¹Advisory Commission on Intergovernmental Relations, *Fiscal Balance in the American Federal System*, 2 vols. (Washington, D.C.: 1967).

¹²Elinor Ostrom, Robert B. Parker, and Gordon P. Whitaker, "Refining and Measuring Structural Variations in Intergovernmental Arrangements," *The Study of Federalism at Work, PUBLIUS, The Journal of Federalism* (Special Issue) 4, 4 (Fall, 1974), 87.

The ideas underlying this conference are the products of the thinking and the research of the period between the 1930s and the 1950s. Some great names come to mind when we think of the men who forged the framework which we are using today: William Anderson, Louis Brownlow, Edward Corwin, and Morton Grodzins.

These men gave us a new sense of how federalism was, and should be, based on cooperation among governments rather than on their separation or isolation. We have come to understand and accept their ideas and see their validity, and we are now just completing the translation of these ideas into practice, as Dr. Staats has indicated.

New Issues in Federalism

Since the ideas of these great men have come to be the common coin of the realm in governmental circles, members of the academic community have been building on those original theories to give us new ideas and new evidence which will have programmatic implications of their own, carrying the earlier ideas a step further. Some of these ideas and the studies related to them are straight forward extensions of what is now the conventional wisdom. Others have revolutionary implications and need to be considered in our thinking today. A few of the questions that are under study or are good candidates for research today, in light of new ideas and new realities, include:

- the role that professionals and categorical grants play in the system that generalists cannot always assume;⁵
- the varieties of relationships that are now emerging among those who are actors within the cooperative framework;⁶
- the uses of conflict as a way to promote the health of the system;⁷

- state and local differences in program administration and the virtues of those differences;
- the locus of coordination and its impact on other governments.⁸

Beyond these extensions of the ideas that are a common currency, we have questions about whether the organizational forms that we have come to recognize, the hierarchical structures that we assume are the appropriate ones for conducting massive programs, are indeed so useful.⁹ Organization theorists are beginning to question the widely held assumptions that duplication is invariably bad, to suggest that in some cases it should be seen as healthy redundancy, a "fail safe" mechanism.¹⁰

Would it be better to tailor organizations to their service needs? The evidence, some of which comes from the ACIR itself,¹¹ indicates there are grave differences in the delivery of services based on the scale of the operations involved. There is substantial evidence, for instance, that small local police forces are more effective than large, consolidated ones for certain very important law enforcement purposes.¹²

What about the ways to achieve interlocal collaboration? There is a great deal of evidence that simple talk among local officials sharing a common professional interest in adjacent jurisdictions goes further to produce very discreet, distinct, and specific forms of interlocal collaboration than all the coordination from

above.¹³ I, myself, have observed in cities adjacent to each other how police chiefs agree to allow drivers to go up to a certain speed above the legal speed limit before ticketing them. These are often very specific agreements, never written down anywhere, never leading to any formal action.

What do we do when we discover that suburbanites don't even go to the center city anymore? The implications of this discovery, substantiated by recent studies, are devastating to many current theories.¹⁴

What do we do when we find out that what used to be regressive taxation may not be and what used to be progressive may not be? Indications are that the Federal income tax, which used to be progressive, now increasingly burdens the middle income wage earners in ways that were never intended because dollar income has risen faster than adjustments in the tax laws. In addition, some states are beginning to talk about taxing the extraction of raw materials in such a way that changes progressivity entirely.

These ideas and studies have yet to be reflected in our agenda for Federal-state-local relations. All lead us back to the first principles of federalism. In the 1970s and 1980s, we will be required to come to grips with them if we are to make Federal assistance work right.

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¹³H. Paul Friesema, *Metropolitan Political Structure: Intergovernmental Relations and Political Integration of the Quad-Cities* (Iowa City: University of Iowa Press, 1971).

¹⁴Joseph Zikmund, II, "Sources of the Suburban Population: 1955-1960 and 1965-1970," *The Suburban Reshaping of American Politics, PUBLIUS, The Journal of Federalism* (Special Issue) 5, 1 (Winter, 1975), 27.

Coming Issues in Public Control Versus Property Rights

By Ralph R. Widner

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Once again, the role of governments, Federal, state, and local, in directly influencing patterns of regional growth and development has become the subject of domestic debate.

For most of our colonial history and for almost 100 years after independence, one of the principal objectives of government at all levels was to provide for, and encourage, the growth and development of our communities and regions. Our objective was to place as much land and resources in the hands of settlers and entrepreneurs as possible, assure them adequate access to markets, and allow matters to take their course.

Having established this framework for development, from the latter 19th century through the first two decades of this century our policy was *laissez faire*: government's chief responsibility was to leave the "invisible hand" of the market alone to work its will. Adam Smith had convinced us that pluralistic decisions working their cumulative impact through the interplay of competition were far more efficient and more likely to achieve outcomes in the best interests of society than any heavy handed attempt by government to direct the course of national development.

Of course, even in the hey day of *laissez faire*, the "invisible hand" of government was employed, sometimes surreptitiously, to favor some forces over others in influencing the national patterns of growth and development.

With the prosperity and seeming abundance of the post World War II years, we embarked on a binge of development and consumption that transformed the face of the country and brought us into the unexplored domain of a trillion dollar economy whose needs were supplied to an increasing degree by a worldwide hinterland rather than the natural largesse of the continent that we had so recently and rapidly developed. Despite lip service to the *laissez faire*

faith, government intervention in the operations of the market place accelerated rapidly during these years, but without cohesion or apparent framework of purpose.

At the present time, we have no explicit national policies on growth and development. We have instead congeries of policies and programs, many of them redundant or contradictory; but overall, they add up to a body of policy that, perhaps unintentionally:¹⁵

- promotes the industrialization of American agriculture;
- reacts to, rather than shapes, the economic and social consequences flowing from patterns of private investment and the introduction of new technologies;
- except in the case of large scale Federal public works, requires that public investment follow, rather than lead, private investment;
- leaves to private decisions and information the allocation and direction of geographic shifts of manpower with minimal public attempts to influence these flows;
- leaves depopulated rural regions to their own devices in adjusting to shifts in the patterns of national settlement and economic activity;
- in metropolitan areas, favors the construction of new housing and urban infrastructure on undeveloped, outlying suburban tracts over the conservation and rehabilitation of existing housing and community infrastructure;
- favors the development of raw land on the metropolitan periphery over the use of vacant lands within developed areas;

¹⁵David K. Hartley, Janet Patton, and Lucia Findley, "The Regional Impacts of Federal Policy," *Background Papers: National Public Works Investment Policy*, U.S. House of Representatives (Washington, D.C.: 1974). See also Carl W. Hale, "Impact of Federal Policy and Technological Change on Regional and Urban Planning Problems" *Land Economics*, February 1971, and testimony by Anthony Downs before the Committee on Public Works, U.S. House of Representatives, November 1, 1973.

- encourages the concentration of low income minorities in inner city areas while simultaneously subsidizing the location of employment and housing for middle and upper income groups in outlying areas;
- favors home ownership over tenancy;
- supports and promotes the use of surface and air motorized transport as the prime means of conveyance;
- acquires land for public facilities at the time of need rather than in advance;
- grants benefits accruing from appreciation in land prices related to public improvements to private land owners rather than the general community;
- reacts to the consequences flowing from hidden policies by enacting "placebo" programs to mollify those adversely affected by prevailing patterns of national and regional development;
- until recently, directed that environmental problems be cleaned up after they occur;
- sets national standards for air and water quality;
- sets aside publicly important natural and historic sites for protection.

These characteristics are purposely stated in largely pejorative terms in order to relate them to some of the concerns expressed in the running debate over the feasibility or desirability of more considered policies to guide our future national and regional growth. Implicit in the argument in favor of such policies is the wish for more effective orchestration of national policies and programs to achieve the results we desire. New public concerns over the consequences flowing from such "hidden" policies have prompted calls for revised approaches to national and regional development.

The Rural-Urban Shift

The current discussions and debates over the need for more clearly formulated policies on growth can be said to have started in September 1965, when six Cabinet officers in the Johnson Administration convened a national group to discuss "National Growth and Its Distribution."¹⁶

That opening gun in today's growth debate was followed shortly by the report of the Advisory Commission on Intergovernmental Relations in 1968 entitled *Urban and Rural America: Policies for Future Growth*.¹⁷ During the next several years, a cascade of such reports followed, almost all of them addressed to one aspect of our awakening concern with the national patterns of development: the dramatic rural-to-urban population shift of the previous four or five decades.¹⁸

Yet ironically, by the time these calls to action were issued, the rural-to-urban movements in population were within hailing distance of having run their course. A revolution had occurred in where people live and how they live. However, within another decade and a half that transformation in the nation's patterns of settlement will be almost over and a new and different one begun.¹⁹ The question has become not how to stanch the rural outflow of population and the demise of small communities, but how to restructure governance and access to opportunities in both rural and urban America now that settlement and economic activity have assumed new patterns which no longer match the mechanisms of public finance and public services that our great grandfathers created under earlier conditions.²⁰

Protection of the Environment

However, while recasting our notions about how to cope with these new national circumstances, our awareness extended in another direction adding still newer dimensions to the growth debate.

As the first photos of the planet came back to us from the cameras of

¹⁶"National Growth and Its Distribution," Symposium on Communities of Tomorrow, December 11 and 12, 1967, U.S. Department of Agriculture, Washington, D.C.

¹⁷Advisory Commission on Intergovernmental Relations, *Urban and Rural America: Policies for Future Growth* (Washington, D.C.: 1968).

¹⁸David K. Hartley, Milton Patton, and Ralph R. Widner, *Elements of Growth Policy* (Columbus, Ohio: Center for Contemporary Problems, 1974).

¹⁹Economic Research Service, U.S. Department of Agriculture, *The Economic and Social Condition of Rural America in the 1970's* (Washington, D.C.: 1971).

²⁰National Advisory Commission on Rural Poverty, *The People Left Behind* (Washington, D.C.: 1968).

“But now and in the future, unbridled pluralism is and will be in jeopardy in the face of potential scarcities that will require different approaches to the allocation of resources than we have known in the past.”

the astronauts, popular awareness dawned that spaceship earth is a fragile and limited vessel upon which only so many demands can be placed without jeopardizing the self-renewing natural systems that support us. In face of this awareness, the growth policy debate became less preoccupied with the rural-urban dichotomy and centered more upon the management of the pressures of human development to keep them within the tolerance of regional environments. States and communities concerned with the depredations of economic and population growth upon the physical quality of life within their jurisdictions began to undertake actions to control, prohibit, or channel development with such preservation in mind. In Vermont, Maine, Florida, California, Washington, Oregon, and Hawaii, new approaches were launched to control and manage the location of growth.

More recently, the oil embargo and impending shortages in other raw materials have sensitized us to still another dimension of the problems of growth. We have come to realize that the conspicuous consumption of energy and materials — the failure to conserve and re-use — is a short-term luxury at best.

Anticipatory Democracy

Finally, a fourth dimension has been added to the debate. It relates to the many undesired and unanticipated results that have flowed from well meaning, but single purpose policies, programs, and decisions.

The complex structural consequences of the energy crisis; the effects within the economy of the sale of wheat to the Soviets; the second and third order effects of environmental policies; inflationary pressures that cannot be controlled by traditional fiscal and monetary policies; the resulting involvement once again in wage and price controls; the increasingly critical state of national and international economies; the collapse of much of the nation's rail transportation system; the impending shortage of a number of critical materials

— all these and more have led to fundamental questions being raised about whether we any longer possess an adequate set of legislative and executive procedures for the governance of a rapidly changing, highly interdependent, metropolitanized society. In a metropolitanized world, nearly everything is connected to everything else. In earlier days when the government's role was restricted to custodial functions, pluralism had more advantages than disadvantages. But now and in the future, unbridled pluralism is and will be in jeopardy in the face of potential scarcities that will require different approaches to the allocation of resources than we have known in the past. It is this potential development that now lends the growth debate special urgency.

National Planning

In December 1973, Herb Stein, chairman of the Council of Economic Advisors in an Administration devoted to the devolution of powers back to state and local governments, reluctantly admitted to an audience at the annual meeting of the American Economic Association that “maybe we need an economic planning agency like the Japanese or French.”²¹ He added: “If the government is going to be as much involved in details as it is becoming, then the concept of the little Council of Economic Advisors — with 16 professionals — focusing mainly on fiscal and monetary policy will be inappropriate.”²²

The *New York Times*, in reporting Stein's observations, pointed out that he was not alone in his feelings that the U.S. might be compelled by necessity to develop new national planning capabilities. One of Stein's predecessors at the council, Otto Eckstein, who served under President Johnson, feels that the CEA is “in desperate need of a successor agency

²¹*New York Times*, December 31, 1973.

²²*ibid.*

to deal with narrower problems than fiscal and monetary policy."²³ Eckstein also pointed to the Japanese planning experience as a useful example.

John Dunlop, chairman of the Cost of Living Council, had urged the creation of some entity to concern itself with structural problems in the economy and Marina Whitman, a former Nixon appointee to the CEA, remarked at the same conference Stein addressed that "There is a dynamic in the United States and elsewhere of a very marked increase in the responsibility governments have to manage the economy. This imposes a dynamic on the council."²⁴

Certainly, it is not difficult to detect such a dynamic at work in the American economy. To some, it may seem cruelly ironic that just as we were recoiling from the excesses of interventionism in the 1960s, the urgent realities of present crises are moving us into further interventions before we are any more certain of what to do.

We are being impelled in the face of crisis after crisis toward the formulation of policies on growth and programs for the control and allocation of resources which only a few years ago would have been unthinkable.

What Kind of Planning and Policies? Five Questions

But what kind of policies can we now accept in the face of these conditions? Certainly, we are unlikely, except under the extremities of wartime conditions, to tolerate the heavy handed, clumsy forms of bureaucratic planning, the image of which, heretofore, has been invoked to stifle any open and honest consideration of such matters in the United States.

We have gained from our disillusionment with the 1960s a healthy skepticism about what we know and do not know about the social system and the effects of public policy upon it. In much of the thinking about future directions for public policy, there is a disavowal of old planning and organizational concepts that arrogated to the technician some omniscient wisdom about what the society requires and what policies and programs will meet those requirements. The old notions of planning in which goals are set, targets selected, courses plotted, and resources allocated are — or should be — dead as the Dodo.

No one has clearly defined the new forms and approaches that should replace these dead ones, but they are glimmering on the horizon. They are more open ended, less reliant on the so called expert, based on social learning and continued adjustment derived from continuous societal auditing and evaluation.²⁵

To steal a leaf from the French, planning in the U.S. might be more indicative in character with the Federal government establishing standards and goals and state, local, and private instrumentalities bearing most of the responsibility for implementation.

What must be added is a new capability for assessing probable consequences in advance of policy adoption and continuing evaluation and adjustment of policies and programs to better assure the outcomes we desire. We must also become far more specific about the outcomes we do want.

To make sense out of existing policy, one leading student of the debate has suggested, we need to be able to answer five questions:

- Can we agree on what problems we wish to correct?
- Can we distinguish by priorities what we wish to achieve?
- Can we agree on the cause and

²³*Ibid.*

²⁴*Ibid.*

²⁵See for example, John Friedman, *Retracking America; A Theory of Transactive Planning* (Anchor Press and Doubleday, New York: 1973); and Edgar S. Dunn, Jr., *Economic and Social Development; A Process of Learning* (Published for Resources for the Future, Inc., by John Hopkins Press, Baltimore: 1971).

effect relationship between policies, programs, and their results?

- Can we agree on the basic decision levers which would have to be pulled to bring about the results we desire?
- Can we agree on the social costs for various alternatives for change?²⁶

What are the Problems?

By no means is there a consensus about either the problems we face or what should be done about them. But most of our concerns with the problems of growth now center upon the undesired consequences that flow from the development of a metropolitanized, land hungry, high energy, high consumption society.

We might pose at least the following eight sets of questions to define some of the problems about which current debates about growth policy have been concerned:

- How to avert unintended, undesired consequences for the nation's social, economic, and physical development which flow from single purpose public and private decisions, policies, and programs adopted without anticipation of their probable cumulative impact on national growth.
- How to reduce the overall energy and material consumption levels of a metropolitan society by more nearly approximating the selfrenewing cycles of nature itself.
- How to minimize the adverse environmental consequences that spring from present patterns of metropolitan development. How to avoid excessive, regional concentrations of settlement and economic activity that overload regional ecosystems, jeopardizing health and safety. How to encourage less wasteful patterns of land use

and less ugly and wasteful patterns of metropolitan sprawl which are likely to breed the expensive renewal needs of future decades.

- How to protect fragile environments or areas of special public interest from development.
- How to devise more appropriate procedures of governance for metropolitan and non-metropolitan areas now that the shift in our national settlement structure is virtually completed. Should some public services be regionalized to achieve economies of scale, while others are decentralized to produce greater responsiveness to the needs of those being served?
- How to minimize the economic and social costs of change in metropolitan and non-metropolitan areas. What policies should be developed to assist older cities facing substantial economic transition? What new approaches to the delivery of services in rural areas can be devised to provide a quality of life comparable to that enjoyed by urban residents now that the worst is over in the rural to urban shift?
- How to correct the mismatch between the structure of tax policy at the state and local level and the changing patterns of growth and public demand in both metropolitan and non-metropolitan areas.
- How to overcome the extremely corrosive and destructive problems that spring from the enforced isolation of minorities in the inner city through racism; a situation that can only lead to the continual loss of invaluable human talent, continued social estrangement, and ultimate confrontation. Despite racial progress on several other fronts, the nation has not made impressive headway on this problem.

Conflicts in Values

In the final analysis, many of the

²⁶Lowden Wingo at a meeting of National Growth Study Committee, Academy for Contemporary Problems, Columbus, Ohio, January 31, 1973.

issues we now face in considering how we might shape the nation's future growth and development are rooted in conflicts between two or more sets of values. How we establish the tradeoffs we willingly would accept among these values provides the grist for political decision about the future direction of our national and regional growth; for example, equality versus competition.

Equality Versus Competition

One of the basic elements of the American credo has been the right to equality of opportunity. At the national level, and to a lesser extent at the state level, through legislative, judicial, and executive actions we are once again redefining what we mean by equality. These redefinitions have important implications for the kind of social objectives any growth policy might contain. Many Federal and state actions in recent years have emphasized the maintenance of minimum standards of equality. At the local level, however, our emphasis has traditionally been upon "competition" or a free market, i.e., people should be able to buy what they are able to pay for in the public marketplace as well as the private market.

Centralization Versus Decentralization

Debates over what must be done to improve the quality of, and access to, public services and employment in metropolitan and rural areas are engendered by conflict between our values of "freedom" and "efficiency," or, if you will, centralization and decentralization.

Proponents of regional government, consolidations, or multijurisdictional substate districts to replace the balkanized pattern of local government that exists in most metropolitan and rural regions have traditionally pointed to the savings and efficiencies that they believed could be realized through elimination of over-

lapping and conflicting jurisdictions and the regionalization of certain basic public services.

Yet in many cases, constituents have shied away from such proposals at the ballot box either because they see no particular gain in putting public services under the monopolistic control of one public agency or because the new government would be too remote and unresponsive to their needs or because they feel their self-interest might be threatened by becoming integrated into a larger community, the majority of members of which are not of their own kind.

Preservation Versus Development

Many of the actions which have been taken in the area of growth policies at the state and local level in recent years have been taken in the name of environmental protection. The bulk of public actions have been regulatory and negative in character; they set forth what is not permitted. There is little exercise of affirmative powers to direct where something should happen with the possible exception of some instances where sites for power plants have been identified.

Yet the nation has social and economic objectives which must be weighed equally with environmental and preservationist objectives.

To cite the extreme: if state after state adopts policies severely curtailing further growth and development, what are the implications for future Americans in terms of their freedom of choice to live and work where they wish?

Public Interest Versus Private Property

Few values have been more sacrosanct in the American value system than the concept of private property. Applied to the ownership of land, that concept has passed through

several distinct stages during our national history.

During the Colonial period, lands belonged to the Proprietor of the Colony under charter from the King. After independence, lands not already deeded to private landholders became part of the public domain to be disposed of as the states or the Federal government saw fit.

For most of the past 150 years, our objective was national economic development and our purpose was to get land and resources into the hands of as many settlers and developers as possible to be tilled, or mined, or logged, or built upon. Once that land was in the hands of private citizens, it was at first their right to do with it whatever they deemed proper. But it soon became apparent that there had to be some restrictions after awhile to protect all property holders from the abuses of any single property holder. We entered the period of regulation when through a variety of measures some control was exercised over the broad uses to which many property owners in cities could put their land. The ideological conflicts over zoning and land use planning which ensued were bitter and deep. Yet in most of the country today these rather modest means for regulating the uses of private land inside of communities are readily accepted and judged by many to be largely ineffective.

The Limits of Zoning

Criticism directed toward the practices of local zoning and subdivision regulations have been aptly summarized by the American Law Institute:

The attempt to guide development of land by prohibitions and restrictions, without using the power of public acquisition and disposition of land and the power of public spending to secure the desired development, is likely to be an ineffective method of ordering land development.

The unrestricted grant of power to the smallest unit of local government (town, village, city) has

produced a distortion in metropolitan growth and almost impotence in our ability to attack regional problems such as pollution, inadequate supply of decent housing, proper management of the environment, transportation, and the like.

The unrestricted grant of power to local governments has produced in many cases incompetent planning, and in many others administrative processes which run counter to many concepts of fairness and orderly procedure.

The concept of a "static master plan," i.e., a map representing optimum civic design in its ultimate form, has failed to guide land development because no legal significance has been assigned to such plans under most statutes and ordinances, and because the concept itself is faulty since the forces of urban growth and decay are too dynamic to be ordered in such a rigid fashion.

Ordinances enacted under existing laws by a host of small but growing urban communities at the periphery of large metropolitan regions have been unable to deal effectively with large scale development. "Industrial parks," "residential subdivisions," and "regional shopping areas" may result from existing zoning districts, but the relation of industry to housing of the work force and the relation of each to a whole complex of urban services such as schools, hospitals, day care centers, neighborhood shopping areas, and the like are often ignored—in part because the unit of government regulating development is too small to plan comprehensively for these services.²⁷

New Objectives

Now the nation enters into a new chapter in its attitude toward land. The special pressures on the national

²⁷American Law Institute, "A Model Land Development Code," Tentative Draft No. 2 (Philadelphia: 1970).

environment which have followed intensive industrialization and metropolitanization have brought about a still stronger public recognition that land is no longer an unlimited nor unexpendable resource. There is a vital public interest in protecting certain vital land and water resources and the ecologies of certain fragile regions. Few local jurisdictions are large enough to control the use or disposition of such areas. There is a tide of opinion pressuring state and Federal affirmative action (not just regulation and control) to identify where growth and development should and may occur and where it should not and may not. This concept of public responsibility is a substantial departure from our modified *laissez faire* traditions with respect to private land development during the last 100 years.

Further, there is increasing recognition that the public has frequently been required to bear excessive costs for acquisition of lands that have appreciated substantially in market value because of nearby public improvements such as highways, airports, mass transit lines, or water and sewerage lines. It is also recognized that traditional hop-sotch patterns of speculative private development in metropolitan areas impose still other short and long term costs on the public that might be avoided through more affirmative public actions to channel and direct the development of land.

It is well and good for us to exclude further development in fragile areas. But it is equally incumbent upon us, under any policy for growth, to identify where and how we shall develop the housing, employment, services, etc., required for a growth population. The underemphasis upon social and economic objectives in many recent

attempts to control land use has been best summarized by Frederick O'R. Hayes, former Budget Commissioner of New York City:

A development policy is as important as a land use policy and, in fact, it is critical to a land use policy. The country needs housing for an expanding population and to rehouse the illhoused. It needs commercial, industrial, educational, medical, recreational, and transportation facilities to serve and employ the population. It must economize on other resources — energy among them — as well as land. It must deal with the price and transport effects of changes in land supply.

The point deserves underlining with particular emphasis upon housing markets. An adequate supply of land subject to reasonable subdivision and construction standards is crucial to expeditious progress toward the nation's housing goals. The effect of suburban land use regulation and land use for construction to date has been a very substantial increase in minimum new housing costs. Even after adjustment for price increases, the threshold income for entry into the new housing market has been increasing much faster than incomes all over the country.

In truth, in many areas of metropolitan development, we need some decontrol of land to open up clearly exclusionary zoning in the suburbs and to provide a feasible basis for large scale development. A restructuring of the present balkanized system of land use control is necessary as is the use of a wide range of tools other than land use regulation.

“ The special pressures on the national environment which have followed intensive industrialization and metropolitanization have brought about a still stronger public recognition that land is no longer an unlimited nor unexpendable resource. ”

“It would appear that, as in the past, the states are serving as diversified laboratories for testing new social, economic, and environmental policies.”

It seems fair to say that, with a few rare exceptions, contemporary attempts by states to shape and influence their patterns of growth are generally negative in character, i.e., for the most part, they are intended to prevent development from occurring in certain areas.

But it must be presumed our future policies should be positive in character as well. They should determine what may and should happen as well as deter what should not happen.

Objectives in Present Growth Policy Proposals

A pattern is now evolving out of the confused growth policy debate as a result of Federal, state, and local actions and court decisions over the past several years.

We can discern a pattern of objectives that can be pictured as a three legged stool. One leg is social policy, one leg is economic policy, and one leg is environmental policy. The purpose of growth policy is to orchestrate the cumulative outcomes that flow from these policies.

States and localities that have adopted growth policies are trying to shape and direct the way the land and related resources are used to meet social and economic objectives and still be consonant with the objectives of environmental protection by:

- Providing for more conservative use of land, water, air, energy, and material resources;
- Providing for the disposal and elimination of pollutants and wastes in ways that will minimize environmental disruptions and promote the re-use and conservation of material resources;
- Attempting to channel population growth and economic expansion away from areas suffering from environmental overload;

- Attempting to channel development toward areas with greater residual “carrying capacity” for development;
- Attempting to protect fragile and unique environments as well as areas of special public interest;
- Establishing aesthetic and health standards designed to improve the quality of life in both metropolitan and non-metropolitan areas.

While state and local growth policies have been preoccupied with environmental objectives so far, they are evincing growing concern with equalizing access to certain public services (now being redefined by the courts), employment, and housing. For the most part, these efforts are addressed separately to the problems of metropolitan and rural areas.²⁸

They cover a wide range of actions from state assumption of responsibilities for certain services, reforms in public finance, restructuring of local government, and the creation of new instrumentalities to shape and direct the patterns of future urban development.

Present State Actions

No single state has yet developed a fully orchestrated set of policies. However, there are many instances of innovation, bellwethers of a changing attitude toward our future national development. It would appear that, as in the past, the states are serving as diversified laboratories for testing new social, economic, and environmental policies.

Only Hawaii has found it practicable so far to engage in statewide comprehensive land use management, perhaps because of its insularity and particularly vulnerable ecology. But Vermont, Maine, Florida, North Carolina, and several other states have enacted statewide land use control legislation.

The most comprehensive growth policy statement adopted so far by any state was a 1974 concurrent resolution of the Florida legislature.

²⁸See “Experiments in Growth Policy” by David K. Hartley, Milton Patton, and Ralph R. Widner with Lucia Findley and Patrick Peter-sillia, Academy for Contemporary Problems, Columbus, Ohio, 1975.

With three-quarters of its population living along the coasts, Florida is in danger of overburdening, possibly destroying, its coastal zone and interior wetlands.

The procedural provisions of Vermont's new Land Use and Development Act are perhaps the most significant of any enacted by any state so far. The act contains two basic provisions: (1) a permit system regulating in a largely reactive manner all private and public residential developments of consequence and (2) a planning system, largely prescriptive in intent, which calls for three kinds of land use plans.

In 1970, the Maine legislature passed a site location law and created a department of environmental protection which expanded the duties of the existing environmental improvement commission. The legislation was motivated by proposals for several major oil terminals in areas of Maine where local governments had not passed any land use regulations. The state, realizing how little protection it had in coping with such developments, enacted the 1970 law.

The law sets forth the framework assumptions of a state policy on growth:

... that the economic and social well-being of the citizens of the State of Maine depend upon the location of commercial and industrial developments with respect to the natural environment of the state; that many developments because of their size and nature are capable of causing irreparable damage to the people and the environment in their surroundings; that the location of such developments is too important to be left only to the determination of the owners of such developments; and that discretion must be vested in state authority to regulate the location of developments which may substantially affect environment.

General Patterns of State Action

Already some patterns are beginning to emerge.

- There are those states, primarily in the South and West, which face the problems of rapid growth — frequently jeopardizing a highly prized environment.
- There are basically rural states close to metropolitan regions, such as Maine and Vermont, where similarly treasured rural surroundings are threatened by exurban expansion, recreational developments, second homes, and the location of major industrial installations.
- There are the older urban-industrial states facing declines in population and economic activity as our birth rates drop and national migration flows shift increasingly toward the South or West and away from the Northeast.
- Finally, there are those basically rural states that are isolated from the mainstream of national commerce and which have already lost population over a protracted period of time and now possess an "aged" thinly dispersed population. Most of these states are in central Appalachia, the Upper Great Plains, and along the more isolated sections of the nation's northern border.

States in the first two categories have been the first to undertake the development of a new generation of policies on growth and development.

Present indications are that metropolitan areas in the manufacturing belt of the Northeast-Midwest will lose both population and their former economic paramountcy in the

coming decades. It is significant that overall metropolitan population losses show up in the 1973 interim Census survey for a belt beginning in Pittsburgh and continuing through Cleveland and Detroit, yet few actions have yet been undertaken in these regions to cope with the profound land use implications of accelerating urban neighborhood abandonment and metropolitan restructuring that are bound to follow these demographic shifts.

Just as the nation was not prepared socially or fiscally to deal with the social and economic consequences of the rural to urban shift during the first half of this century, so it appears that we are currently illprepared for the coming alterations in the country's metropolitan structure. And there are painfully few examples of successful state land use actions to deal with the problems of depopulated rural regions as well.

Federal Action

To date, the Federal government has lagged behind states and localities in its response to these new conditions. Its actions have been guided more by crisis than forethought.

Yet study after study has identified the role which Federal expenditures, public works, and regulatory activities have had on the patterns of national growth.²⁹

We confront the task of identifying the Federal decision levers having the greatest effect on our national and regional development patterns.

It is perhaps a commentary on the pluralism of the American federal system that we have never undertaken an overall assessment of the impacts of major policies at each level of government on patterns of national and regional development. All we have to draw upon are a few very general surveys and many evaluations of specific programs.

A cursory overview of research on the probable cause and effect relationships between patterns of national growth and national policy and programs leads to tentative observations that:

- National policy has objectives other than those embodied in aspirations for "balanced" national development. For the most part, therefore, it has followed or reinforced growth and development trends rather than attempting to consciously influence them.
- National policy has reinforced rather than ameliorated the impacts of new technologies upon the nation's patterns of development.
- National policy has been reactive rather than prescriptive, i.e., it has responded to problems after they have occurred rather than anticipating consequences in advance. For the most part, ameliorative programs designed to mitigate the consequences of such problems, have failed.

Overall, it seems fair to say that the powers of the national government are at their most potent when employed to influence the flow of private capital. This has had some considerable influence on the patterns of migration and growth in the United States whether through the outright procurement of goods and services, through Federal expenditures or through the aggregate effects on the national economy of fiscal and monetary policy.

²⁹Op Cit., "Regional Impacts of Federal Policy."

The powers of the Federal government have been least effective when they attempt to influence the location of population and economic activity through grant-in-aid programs. And except for the public domain, the Federal government exercises little influence over the specific uses of land in the country.

From all this, it is possible to conclude that if we were to have a national growth policy, Federal responsibilities could best be met through the effective use of economic policy, Federal regulatory powers, and the establishment of minimum social and environmental standards that would apply nationwide.

The Tragedy of the Commons

The vessels of government and public finance we have constructed over a period of less than 200 years to provide for our needs are under stress to meet the dramatically altered needs of a metropolitanized, land hungry society with voracious appetites for energy, food, and raw materials.

We now enter upon a new era in the face of conditions quite different from those that existed when our great, great grandfathers conceived the Constitution, developed our states, and marked off the boundaries and powers of our local governments.

While their efforts were undertaken in the context of an awaiting continental abundance of virgin resources, ours now seem to be constrained by potential scarcities not just national, but global in magnitude. The issues that now face us arise from the dawning perception that we must find ways to constrain and manage the distribution of economic and population growth to comport with the limits of energy, food, materials, land, water, and clean air available to us. Today's questions arise in an economy and polity that has matured into a very different commonwealth from the land of yeoman farmers envisioned by Thomas Jefferson — a land of

metropolitan people who for the most part are engaged not so much in the production of food and fiber and goods as in the consumption of goods and the provision of services to each other.

In the judgment of many, we are living what Garrett Hardin has chosen to call the "Tragedy of the Commons!" If a community has a common green upon which all the villagers are allowed to graze their sheep, it is obviously in the interest of every villager to try and graze as many sheep as possible in order to maximize his profit. But at some point, the green can support no more sheep and some new method must be found on the basis of which grazing rights can be allocated.³⁰

It is on this presumption that many proponents for the development of national growth policy now base their case!

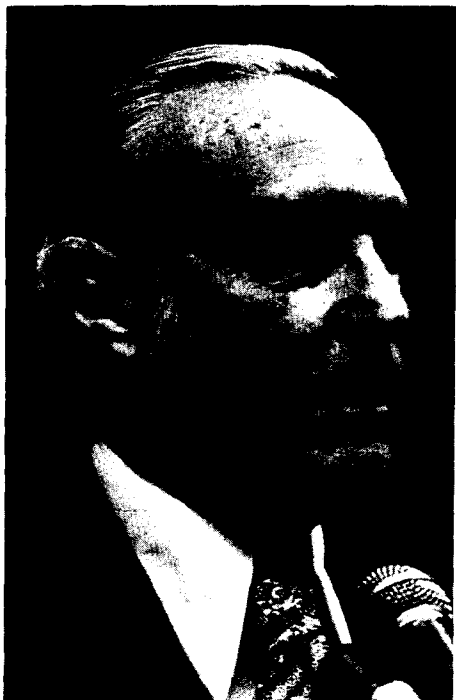
Ralph R. Widner is director of the Academy for Contemporary Problems, established by the Battelle Memorial Institute and Ohio State University in 1971. Prior to assuming that post he served as executive director of the Appalachian Regional Commission, as staff of the U. S. Senate Subcommittee on Employment and Manpower, and as assistant director of the Pennsylvania State Planning Board. He is author of numerous books and articles on resource and economic development.

³⁰Garrett Hardin, "The Tragedy of the Commons," in *Exploring New Ethics for Survival: The Voyage of the Spaceship Beagle* (New York: Viking Press, 1972).

We Took Our Eye Off the Ball

By Harlan Cleveland

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In February of 1975, the institutions of the American nation, and especially its plurality of governments, are the object of more grumbling than at any time in the two centuries of our durable democracy.

"Congressmen Find Voters Back Home Disillusioned and Disgusted," the *New York Times* headlined last Monday, on the transplanted birthday of George Washington and Abraham Lincoln. Americans are sore at inflation, at bureaucracy, at corruption — at too much of it, anyway — at being out of work, and at entanglement in other people's wars.

At the same time, the general opinion of the non-American majority of mankind is generating more international flak at our expense than at any other moment in the history of our international relations. In the recent international meetings about "a new international economic order," we have been accused (by people who have benefited from our bounty and attended our universities) of wasting resources, profiteering on energy, building weapons we don't need, polluting the air and the oceans, feeding our babies too well, consuming too much ourselves, and contributing to the poverty and starvation of others. That there is color of truth in these charges does not make them easier to take: in political polemics, it's the half-truth that hurts the most.

We Americans have a strong penchant for personalizing our likes and dislikes. The Gallic shrug and the Russian cliché that mean something like "It doesn't matter; what can anyone do about it?" have their counterparts in most cultures. In America we want to find a scapegoat and blow our poisoned darts at his person. But governments and leaders can take special notice these days of a new mood: Americans are apparently coming to believe that the problems are too big to be handled by ordinary mortals, which they know their political and executive leaders to be.

That mood in some other societies

has produced a turn toward men on horseback — usually updated by the use of armored cars. But in the nations such as ours, where people have gained the habit of thinking for themselves, the wide angle frustration has some chance of producing a thoughtful introspection. The *Times* interviewed a J.C. Penney executive in Titusville, Florida, about his Congressman. In other times, such a man might have relieved his spleen by unloading on Congress, or the President, or at least a local politician. Not last week. "It's not his fault," said the executive. "It's everybody's fault. We took our eye off the ball."

The beginning of wisdom is here: We took our eye off the ball. A sense of destiny — a shared feeling that we knew where America was going and what it was supposed to mean to a watching world — held this nation together for 187 years, provided the social energy to develop a continent and become the citadel of business enterprise, the opportunity culture, the polity of rapid and mostly peaceful change. A special sense of mission — a manifest destiny about what it is to be an American — had been part of our popular morale and our political leaders' rhetoric ever since John Winthrop observed in 1630 that, because the colony of Massachusetts would be "as a city upon a hill," she would have to conduct herself, under the scrutiny of the world, according to the highest ideals.

But beginning about a dozen years ago, a succession of traumatic experiences, seeming denials of what Americans thought they meant to do and to be, have greatly weakened this sense of destiny. Three political assassinations, our first unwinnable war, an unprecedented White House scandal, the quite sudden sense of being unsafe on familiar city streets, the collapse of the dollar as the world's key currency, the visible damage of industrial growth to the environment, the new fusion of recession and inflation, sudden shortages of food and oil, and the frustra-

tions of global politics in a disorderly world — each by itself might have provoked an orgy of national selfdoubt. Coming together, they produced something like a certainty: that the strength and reach of American power, far from spreading our traditional values overseas, did not even ensure their protection at home.

One way to get our eye back on the ball is to think hard about what government is for. One high official who resigned from a White House job, early in the first Nixon Administration, complained afterwards that he had never sat in a meeting in which the question under discussion was “Why?”

You have been considering how our federal system can be made to work better, which is to say more equitably. Let’s not forget to ask “Why?” and “For whom?”

Search for Equity

The search for equity is a big part of the story of civilization. And in modern times, a desire to be treated fairly seems to be the engine of change, the spur to upward mobility, the object of revolutionary violence, the stuff of political leadership, the drivewheel of public administration.

Any organized society must therefore be judged by whether and how it serves the most basic needs of the human person. What are those needs?

Once upon a time, with a group of young colleagues in the Washington of a generation ago, I tried to figure out what I thought were the basic needs of modern man. Let’s see if they are helpful in the contemporary context.

- *A sense of welfare* — a minimum standard of “enough” in material living. How much is enough would of course vary from society-to-society and from time-to-time. But at any moment in any society there could exist a practical consensus on a minimum standard. . . . Minimum

wages, unemployment benefits, and legislative definitions of the poverty line are contemporary efforts to quantify “enough.”

- *A sense of equity* — the individual’s feeling that he or she is being treated justly, not as measured by some ultimate or universal standard, but as compared with the treatment accorded to other persons in comparable situations.
- *A sense of achievement* — the individual’s feeling that the group of which he or she is a part is making progress in some generally accepted direction. For people in organized society, high morale seems to depend not so much on what goals people choose as on their shared feeling of movement toward them.
- *A sense of participation* — in deciding what those goals will be. Modern man (of whichever sex) needs to feel that he has some control over his own destiny and can influence the basic decisions on which his welfare, equity, and achievement depend.

This enumeration of the needs of modern man assumed an awareness by the individual of his interdependence with society. It implied that he cares about his destiny and would not passively accept what fate or the gods or foreign rulers or his own family had provided in the way of environment. This is of course a comparatively new state of mind for most of mankind, dating in the West from the Renaissance and the Reformation, spreading to the East through colonial governors, navies, armies, missionaries, traders, and reformist politicians, all of them from different motives stirring up ancient societies by providing new wants to want and an exciting presumption of change.

The basic needs of citizens in any society can, of course, only be measured in the light of their own expect-

“ You have been considering how our federal system can be made to work better, which is to say more equitably. Let’s not forget to ask ‘Why?’ and ‘For whom?’ ”

tations, in their time and place. Words about desirable values work the way the United States Constitution works — old words acquire new meanings as they are applied to new situations. When Americans were poor, “welfare” tended to be quantified in dollars and calories and square feet of living space. “Equity” focused on fairness in apportioning material things. “Achievement” was measured by rungs on an income ladder. The urge for “participation” was to be fulfilled in decision making about economic status and opportunity.

But in our latterday affluence, “welfare” extends beyond the quantity of groceries to the quality of life.

“Equity” picks up meanings in race relations and political arithmetic. “Achievement” is reinterpreted to include life styles in which success cannot be measured in dollars or political power. “Participation” broadens out to include many kinds of community cooperation and international consultation that used to be reserved for businessmen and lawyers from early arriving ethnic groups, and for professional diplomats.

Still, the people’s question about their institutions is the same: How well do the institutions provide for the people’s basic needs, as they see their basic needs?

Social fairness

One durable American idea about our institutions — one of the balls we took our eye off of — is the usefulness of checks and balances, the desirability of devices that prevent any one person or group from gaining too much advantage at the expense of others. Five kinds of social fairness are overdue for attention in our federal system.

Equity between and among individuals has been the subject of much lip service in the courts and schools of the law. Procedures in courts are supposed to reflect “equal justice under law”—and increasingly do

so now as the non-white and the poor are beginning to be better represented in legal process. But we are still primitive in our efforts to express in law and practice the rights of individuals to the use of what they can only own and control in common — clean air and water, safe streets, uncluttered living space, honest dealings with each other — and the right to a minimum standard of privacy in the age of bugs and computerized dossiers.

Equity between individuals and organizations has long been unbalanced; civilization has “advanced” by favoring organizations, by treating them as people — and then relieving the real life people who make the organizations’ decisions of their personal liability for their actions. The doctrine of a corporation as a person, born by an act of public incorporation which seems to have less and less to do with ensuring public responsibility, has to be high on any list of obsolescent clauses in the social contract.

Equity between “private” and “public” organizations was unbalanced for too long in favor of private organizations performing public tasks without representation or public review. From time to time, some scandal or outrage would produce a *Public Utility Holding Company Act* or a Securities and Exchange Commission. But this kind of ad hocery is no match for the sensitive and important issues involved, for example, in the current deadlock of environmental and energy production interests. The balance has now been redressed somewhat by a vigorous private environmental movement and the growth of public interest law firms. Now there is a problem of ensuring the public responsibility of private citizens who presume to speak for the public as a whole; the growing costs of openness are threatening to swallow up its benefits.

Equity between levels of government has been a prime topic in the discussions at the unique gathering we have been privileged to attend here.

No magic solutions are available, but I have a strong hunch that a growing proportion of the public business is going to leak out of the national level of government — some of it into international institutions, and a great deal of it into regional, state, and municipal government.

It was sad that the sound rethinking of practical federalism which produced the notion of revenue sharing was distorted by the effort to use it as a disguise for budget cutting in social programs — and sad, too, that the Presidential leadership required to make this good idea also popular was drowned in its own corruptive reach for power. Let's get our eye back on that ball, too: the idea of collecting revenues at the Federal level and spending them in more decentralized ways is worth a better break in a different climate.

Equity *between the separable branches of government* has been increasingly out of kilter. The claim of "national security" placed most of Congress and the courts outside the charmed circle of those who "need to know" executive secrets. And on a widening range of subject matter especially in foreign relations and military affairs, the "separation of powers" has come to mean separating Congress from the power to make policy.

The new budget setup is a good first step in reversing the flow of power. Other such steps should follow in quick succession, before the lessons of Watergate are mellowed by the passage of, and the dimming of, memories. For example:

- The Comptroller General should be put into business to act, as an agent of Congress, with the full range of necessary powers such as subpoena supported inquiry and prosecution of executive agents in the courts.
- The Supreme Court should be encouraged — or if necessary enabled — to interpret the law in timely fashion through advisory opinions.

International Concerns

Building a federal system in which all parts keep their eye on the same ball and none gets too far offside would be hard enough if the United States could work out its destiny in peace and isolation. But our new effort to make our federalism work for people, and not against them, comes just when most of the major destiny decisions, affecting the life and health and future of every American, can only be arrived at by a complex process of planetwide bargaining.

So a sixth kind of balance our federal system has to seek involves all those other people who aren't Americans and don't want to be, but who also have basic needs and are increasingly insisting on being treated fairly according to their concepts of equity. The most important ball to keep in view is the biosphere.

Each of us has to face it now:

Present trends in population growth, urban immigration, inflation, unemployment, food production and distribution, energy supply and demand, pollution of the air and of inland and oceanic waters, military technology, restrictive ideologies, and inward looking nationalisms, all taken together, are clearly adverse to the self-fulfillment of nearly all human beings, and to the survival of a very large minority of the human race. These problems are so inter-related that action on any of them requires thinking about all of them. Even if commenced now or soon, the reversal or control of these trends

- The claim of executive privilege, buttressed as it is by a widespread system of security classification, should be defined more specifically and interpreted more narrowly.
- The White House staff should be defined and established by statute, and its members made accountable "in another place" (Capitol Hill and the courts) for their actions, as distinct from their advice to the President.

will require enormous changes in attitudes and styles of living and will also require a generation of time — say, the rest of the 20th century. Meanwhile, shortages and the desperation and rivalries they intensify will provoke acute conflicts. The arms available for use in these conflicts, which are not only conventional and exotic military weapons, but also economic and monetary and psychological and biological and meteorological weapons, will no longer be available to an oligopoly of a few so called “powers.”

Somewhere near the center of these multiple conflicts will be, as always, the ancient confrontation between rich and poor. Somewhere near the center of a strategy for survival and beyond will be a planet sized bargain that promises to define and provide basic human needs, and promises to keep advanced societies from advancing past prudent limits in using scarce resources — to protect the only biosphere we have.

One thing is certain about the global politics of the future: the United States of America will be there. Perhaps you recall what George Bernard Shaw said when a young reporter asked him “How do you make a play?” It’s simple, the great playwright replied. In the first act the man says “I love you,” and the woman says “I adore you.” In the second act the man says “I love you,” and the woman says “I adore you.” And in the third act the man says “I love you” and the woman says “I adore you.” But how can you make a play out of *that*, the young man wanted to know. It’s simple, said the old man. In each act the man is the same, but the woman is different.

The drama of world politics keeps changing — Korea, Vietnam, Sinai; oil, food, money — but the United States of America is on stage in each act. In the political bazaar where the planetary bargains are struck, Americans will be found bargaining in every boutique. Moreover, there is a new condition of international

order — not just faraway negotiators, but whole populations are part of the scene. The collective behavior of individual Americans may indeed largely determine whether the environment’s “outer limits” are irreversibly breached, and whether “minimum” human needs are met worldwide.

No one who sat in line at a filling station in the fall of 1973 can doubt the intimate interconnection between faraway causes and highly personal effects. What is in doubt is the willingness of Americans to adjust their personal habits for faraway reasons — we have done so on a national scale only in wartime.

We can tell that our willingness is in doubt because so many American political leaders still calculate that we are not prepared to do what they say in speeches needs to be done. They don’t think we are yet willing to conserve fuel, limit our appetites, revise our economic expectations, or care enough about starving foreigners to rescue them. (Other nations’ leaders similarly doubt their people’s capacity to cope. The government of India is still reluctant to concede that food supply and population growth are disastrously out of balance.)

Coping with interdependence begins with wide public understanding of the need for adjustments in practices and policies we Americans have long regarded as essentially private, personal decisions — how much to buy, what to eat, how fast and far to drive, how many children to have, whether to pollute, what to produce and sell, how hard to work, what to aspire to.

Our capacity to rise to the occasion is partly a function of education — what we learn about the realities of interdependence in school and college, from the media, and from each other. It is also partly a function of leadership. Americans were vaguely aware in 1947 that things were dangerously awry in postwar Europe, but it took a stunning act of leadership, the Marshall Plan, to convert

that general knowledge into a 1948 plan to do something decisive about European recovery.

But today, the prospects for mankind cannot be transformed merely by the efforts and enactments of political leaders. The complexity of our predicament is such that no person or small group can be effectively in charge, so all of us find ourselves partly in charge. The new requirement is for whole populations to develop the personal sense of direction, the world outlook, the feeling of individual responsibility for the collective outcome, which only a few leaders, educated in elite institutions, used to need.

Is it unrealistic to suppose that millions of Americans can change their minds about growth, about diet, about energy use, about family size, about productivity, about the very purpose of life and work?

Of course it isn't. Consider the rapidity with which we are all becoming aware of the new limits — an "upper limit" to warfare which the weapons of frightfulness have brought about, an "outer limit" to the physical capacity of our globe to sustain human life, and a potential "time limit" on the very existence of the human race: we are the first generation which knows that it is literally possible for our grandchildren or our great grandchildren not to be there at all.

We can change our collective minds in a hurry, it seems, when we know we need to. Who would have thought, in the 1950s, that attitudes toward population growth would bring the United States below replacement fertility rates by the mid-70s? Who would have predicted the charisma of the environmental movement? Who would have thought that a war could be stopped, not by winning or losing it, but by a decision, starting at the grassroots, that it just didn't any longer make sense?

Yet these rapid changes in personal philosophy and social action have come about in a decade or two, often under pressure from the young,

without much help from our major public and private institutions — national or local governments, corporations, trade unions, professional societies, churches, schools, and colleges. American higher education, for example, has only recently been discovering the relevance to general education of family planning, the assessment of environmental impacts, the systematic analysis of conflict. How much faster could we adjust if colleges and universities and other "leading institutions" were leading, rather than following, their students in responding to the imperatives of interdependence?

So the capacity to cope with interdependence is there, in our impressively adaptable human nature. But it has to be energized — in the United States and in other nations — by a new kind of leadership. The best of the leaders that emerge among us in the next few years will be those who understand that narrow nationalism can be popular at the same time that it is inoperative.

Charlie Brown is right, for most cases, when he says that "No problem is so big and complicated that it can't be run away from." But the humanistic management of interdependence is the exception to his rule. It is not in the American character to shrug and declare even the biggest problem insoluble, or up to some one else to tackle. As Charlie Brown also said, "There's no heavier burden than a great potential." And the United States of America still has the world's greatest potential — if we keep our eye on the ball.

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“The complexity of our predicament is such that no person or small group can be effectively in charge, so all of us find ourselves partly in charge.”

The Future of Federalism

By Daniel P. Moynihan

Professor, Harvard University



Social prediction is the measure of social science and is deserving of more sympathy and guarded respect than it has perhaps received from the putatively practical world. This latter point may be put in stronger terms. It was said of the British in their imperial days that they insisted on respect but would settle for fear. The social sciences are in no position to set the terms on which they will treat the great world which is their subject, but, the extent to which that relationship is influenced by friendly or hostile attitudes and expectations on either side ought not to be underestimated. As social science becomes more technical, and hence less accessible to lay persons, the scientists are either going to be taken seriously or they are likely to set about casting all manner of evil spells in the form of forecasts of folly, futility, and ruin which are at once too concrete to ignore and too complex to refute. Is it not, for example, now to be expected that those who were abused in the 1960s for their findings of the relative weakness of various forms of social intervention will, in the 1970s and 1980s, repay their detractors by systematically dismantling the assumptions on which the politics of intervention was based during the middle third of the century? Rejected as establishmentarians — which they had thought themselves to be — they were probably now to become systematic subversives.

As there is enough subversion, I would like to propose a more friendly scenario, contending that mutual respect is possible and fear need not too much intrude itself into the relations between those who manage the society and those who study it. In 1974, I published a book entitled *Coping: On the Practice of Government*. My theme was that in public affairs a certain, limited, prudential foresight was possible, and much to be encouraged.

Intelligent observers can with effort acquire a sense of how political issues of the moment will

work themselves out: the limits, the probabilities. A corollary exercise seeks to form a judgment as to which relatively quiescent situations of the moment are likely to become political issues of the near future. It is no great feat. In a chess master it involves considerable intellectual elegance, but politics is mostly checkers. It is no great thing to estimate the various possibilities for the next move but one.

In evidence, I submitted 22 essays written over a dozen years, asking, in effect, had these not demonstrated some predictive value. The book was on the whole well received, but this theme was quite ignored, at least by reviewers. And yet I would rather have learned that my predictions were quite wrong than to have had my attempt at prediction quite ignored. Maurice Cranston has said of politics that it is first of all an argument about values, and second of all an argument about the future, or, more narrowly, "about the future consequences of proposed lines of action." I will contend that the second set of arguments affects the first more than is generally seen. A society that is increasingly bewildered by arguments about the future is likely to find itself opting for values which emphasize certainty rather than chance. It is in this sense, for example, that socialism represents a kind of failure of capitalist nerve. As I shall contend elsewhere, the ironic effect of the beginnings of knowledge about social systems is for there to be a considerable increase in perceived ignorance: hence also an increase in the demand for greater certainty. All of which may well account for the general retreat back from freedom into regulation which is the curious seeming cycle of modernity. If this is only speculation, it concerns a significant enough subject to warrant attention to the proposition that we may be underestimating our ability to forecast.³¹

Under the circumstances, I would like to persist in the perhaps hapless

³¹See Daniel P. Moynihan, "Science Introduces Ignorance," *The Public Interest*, forthcoming.

cause advocated in *Coping*, undertaking here to examine the rather more formal predictions concerning American federalism which I prepared for the American Academy of Arts and Sciences Commission on the Year 2000 of which Daniel Bell was chairman. My short study was completed almost a decade ago.³² There have been considerable events since, including most importantly the advent of general revenue sharing, a measure which will soon require reauthorization, which will occasion considerable debate in both specific and general terms. I will contend that in the main these events could have been and were anticipated, from which it follows that American federalism has been following a fairly regular course which will not easily be reversed, or even very much diverted.

A note on method, or the absence of it, is in order. Fred Charles Ikle, in the volume of *Daedalus* in which the commission reports were published, noted that some predictions can be based almost exclusively on logical truths. Thus it may be said that if the birth rate in the world today does not go down, the death rate must go up. Other predictions are "based primarily on induction" (with the assistance, if we are lucky, of theories and laws).³³ Obviously most social science predictions are of the latter variety, there being but few logical truths about society from which deductions can be made. Nor are there many theories or laws which inspire great confidence. The predictor depends on the persistence in the future of regularities observed in the past. This mostly means extrapolating trends, but not always or only that. Dialectical oppositions appear with a formidable regularity all their own, but that too is the point. There is a regularity with which some trends continue, and

others produce the very opposite trends. Spotting the difference is what much of prediction is about.

Commission on National Goals

Prior to the convening of the Commission on the Year 2000, the most ambitious official effort to enquire into the future of federalism was the President's Commission on National Goals, established by President Eisenhower, which published its report in 1960. The commission desired to "ensure the dispersion of power" — it endorsed the concept of "shared power" as the "key to the miracle of effective democratic government of a vast and diverse country" — and implicitly recognized the trend otherwise by calling on an "increase in the financial resource of state and local governments." The president of the AFL-CIO dissented from this general position, contending that the report at best "grudgingly recognizes the role and responsibilities of the Federal government and, when it does recognize it, sees it only as a last resort." He wanted the "superior resources of the Federal government, collected through fair, equitable, and progressive taxes and administered through a truly democratic structure . . . more greatly utilized." Mr. Meany, then as now a man of forceful views, was possibly a bit severe on his colleagues. They were if anything rather in advance of their time, and its administration, in advocating greater Federal activity. (I will distinguish later between advocacy and practice. The Eisenhower administration did its share of centralizing, as did all the others of the middle third of the century.)

Morton Grodzins was a consultant to the Eisenhower Commission on National Goals and prepared a paper for it. He was not unsympathetic to local government, but I believe it is no disservice to the reputation of a great and original scholar to say he viewed local government in the conventional terms of the time, which is

³²Daniel P. Moynihan, "The Relationship of Federal to Local Authorities," *Daedalus* (Summer 1967).

³³Fred Charles Ikle, "Can Social Predictions be Evaluated?" *Daedalus* (Summer 1967).

to say that it was the natural preserve of conservatism in America. This would not, of course, have been the liberal view in Jefferson's time, and one may speculate whether in the interval local government had changed or liberals had changed. The view, in any event, had emphatically changed. Consider Grodzins' list of the influential voices that help shape policy at that level of government: "the Rotary club . . . the city council . . . the Chamber of Commerce . . . the mayor, . . . eminent citizens . . . political bosses." Only the latter was likely to have been a man of the people, and it was the fashion of academe, then and now, to have grave doubts as to whether men of the people ever truly desire the good of the people. In a word, none in Grodzins' catalogue could be expected to bring his influence to bear for progressive purposes. He was in any event a political scientist and tried to see power for what it was — and in this case where it was. He saw which way it was moving in the federal system: "in the balance of strength between the central and peripheral governments, the central government has on its side the whole secular drift towards the concentration of power."

As a man of intellectual vigor, he was bemused to the point of acerbity by the foreordained futilities of the succession of commissions established by Presidents Truman and Eisenhower to reverse this trend — the First Hoover Commission, the Second Hoover Commission, the Kestnbaum Commission, the Joint Federal-State Action Committee. (The latter was not strictly speaking a commission, but it evolved into one, the Advisory Commission on Intergovernmental Relations.) Each, in varying degrees, had worked to "separate

functions and tax sources." A political scientist knew that this would not happen. His summation of the prospects for enactment of the proposals of the Joint Federal-State Action Committee would have served for its predecessors as well: "None of them was, none has been since, and none is likely to be." (A scholar, having assured a patron that his most cherished beliefs were nonsense need not rub it in, but Grodzins could have noted that President Eisenhower, for all his fondness for commissions, went ahead with the interstate highway program, the largest public works program in the history of the world, a program which put a Federal stamp on every state and every urban area of the nation. Nothing comparable has occurred since. Mind, we should not dismiss the possibility that somewhere at West Point or somewhere along the line, Ike had learned that if you mean to charge ahead—or bulldoze ahead—with your left flank, it is well to feint with your right.)

Grodzins was in favor of getting state governments to raise more taxes — specifically income taxes — by a device similar to that used for legislation enacted during the New Deal, which is to say for the Federal government to levy a tax which would go to the Federal fisc unless individual states enacted identical taxes. He thought the Federal government might make this offset scheme dependent upon periodic reapportionment of state legislatures, a considerable issue prior to *Baker v. Carr*. Obviously he was proposing that the Federal government reform state and local government — not sharing its powers at all, although "shared power" was his term, but exercising them in a decisive and coercive manner. (As, with respect to reapportionment, the Supreme Court was to do only a half dozen years later.) The danger, in his

view, was "that the central government is doing too little rather than too much." He was all for a "mild chaos" in the federal system, but insisted that "The centrifugal force of domestic politics needs to be balanced by the centripetal force of strong Presidential leadership."

What Morton Godzins wanted was John F. Kennedy as President, and of course he got him. And Kennedy, of course, was followed by Johnson. The days of decentralizing were over, or so it was asserted in the symbolic acts of the time. It was simply the fact of the long preceding era of American life that for persons of political sensibility, the state and local levels of government stood for inertia, for insensibility concerning the needs of the time. There was a class bias of sorts in all of this, and a certain inconsistency. (The term "political boss," for example, was clearly pejorative. Yet what that vanished American was accused of was having accumulated enough power in one place to *make* things happen the way he wished them to happen.) Kennedy was not insensitive to either of these deficiencies in the fashionable doctrine of his period and his following. He once got John Kenneth Galbraith to send a letter to *The New York Times* suggesting that the big city bosses had in fact been the sponsors and patrons of much of the progressive legislation of the first half of the 20th century. But this was a minority — one is tempted to say a politician's view. Political scientists such as Roscoe Martin labored hard and not unsuccessfully to demonstrate that the "grass roots" of American tradition were places of formidable *immobilism*, while public servants such as Paul Appleby patiently annotated their own experience that when the argument was advanced that such and such a government program was no doubt a good one but ought to be carried out at the "local level," one could be near to certain that the individual or interest advancing the argument, first, did not think the program was a good one and, second, was confi-

dent that if consigned to the "local level" it would never be carried out.

Nationalization of Policy

It was in this context that I prepared my paper for the Commission on the Year 2000. I asserted that there were four conditions — past events, if you will — which would determine the future of federalism. First was "the nationalization of public policy," an event which followed from the achievement of a genuinely national society. If there were a goodly supply of local problems, I wrote, there were "fewer and fewer specifically local 'subjects.'"

Political scientists such as E. E. Schaatschneider had argued that in the American federal system, groups that wanted change with respect to a particular issue of public policy in the main tried to move upwards the level of government at which that particular policy was decided. This was because openness to change was seen to increase as one rose through successive levels of government. In the past, this presumedly had been one motive behind the efforts expended on governmental reorganization, notably the consolidation of urban areas. I contended that if local policies were more and more to be set at the national level, there would be less and less of this pressure, save in the area of education, for the translation — to use that word in its older meaning — was still incomplete with respect to some issues, notably race and education. But the trend was irreversible. This meant that state and local governments, and special purpose governments such as school districts, would inevitably be following Federal policy direction in the years ahead. And as a result, in the future, those who wanted policy change would less and less find

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themselves pursuing this objective under the banner of charter reform or metropolitanism or whatever. If you consider the extraordinary energies devoted to such issues in the first half of the twentieth century, it may be agreed that if my contention was correct it marked a considerable change. And have not such movements greatly receded? (Those who argue that ethnic sensibilities have intervened are, in my view, simply being insensitive to the ethnic sensibilities of the past.) In a word, the singular structure and seeming chaos of the American federal system faces no serious challenge in this period. Schaatschneider's law continues in effect in the sense that groups pressing for active social policies much prefer to do battle in Washington. This is logical enough. It is only necessary to fight one battle in Washington: 50 in the states: 236 in the city councils of municipalities with more than 100,000 population. Hence, the AFL-CIO successfully prevented the proposal of revenue sharing when it first "surfaced" under the Johnson Administration; and comparable groups are rather disapproving of revenue sharing today, now that it has been enacted and must be reauthorized. But this seems in part a lag in perception. The policies such groups are concerned to advance are set at the national level and routinely attached to programs of aid to lower levels of government. Witness the quite elaborate provisions concerning civil rights and such issues which were attached to the *State and Local Fiscal Assistance Act of 1972*.³⁴

The point to stress is continuity in a trend. If Congress attached civil rights conditions to revenue sharing, it also attached the *Davis-Bacon Act*, that monument to the propensity of the Hoover administration to subvert the independence of local government by bending to trade union pressures in Washington. This act, it will be recalled, requires local governments expending Federal funds to pay "prevailing" rates of wages. A random survey of comments on

revenue sharing by local government officials suggests that the near half-century old Davis-Bacon provisions have had as much or more impact on local practices than their more up-to-date successors.

Rise of Federal Fisc

The second condition I cited concerning the future of federalism was the "rise of the Federal fisc as the primary source of discretionary public expenditure." Convention has it that this is owing to the superior revenue raising potential of the national government, and it does seem that this is the *de facto* condition. In 1950, state and local government spent 7 percent of the GNP; by 1974, this had grown to only 11.6 percent, excluding in both cases Federal grants-in-aid. By contrast, Federal expenditure grew from 14.3 percent of GNP to 21.4 percent. As a portion of Federal expenditure, grants-in-aid all but quadrupled, growing from 0.8 percent to 3.1 percent. (Note, however, that state and local expenditure as a proportion of GNP increased by two thirds during this period; Federal expenditure increased only by half. None should doubt the vitality of subnational government; but sheer size gives a primacy to the national fisc.)

Much of this, we are told, derives from the greater power of the graduated income tax to generate revenue, and obviously this is in part the case. But states have income taxes nowadays — adopted voluntarily — and in the first half of the 1970s, many experienced substantial revenue surpluses. But few took initiatives associated with expenditures. One cannot easily imagine the equivalent state university systems being built in the years ahead. This is not to deny state initiative. It can be considerable. In the 1940s, for example, a number of states led by New York enacted dis-

³⁴The Revenue sharing bill: the contention will be made that these provisions are not rigorously enough adhered to, and such a contention always deserves a careful hearing. Yet in the large, the fact of Federal conditions is the important one. Imagine such provisions being attached to the *Surplus Distribution Act of 1837*, when Congress divided up a Federal surplus and distributed it to the states. No strings were attached to what the states might do with the money, and indeed one state divided its share and distributed it to its population.

ability insurance programs at a time when the Federal government — Congress — was near immune to such thoughts. More recently states, led in this instance by Massachusetts, have adopted no fault automobile insurance well in advance of national action, and indeed, by any reasonable judgment, precipitating it. Policies do rise in the federal system, albeit that few political scientists writing today would call attention, as Grodzins did in 1960, to the number of governors in the United States Senate as evidence of the impact of local concerns on national policy. If pressed, the professor of government today is more likely to suggest that governors are sent to Washington — when they are — to see if they can't get the national government to do something that obviously the state government can't do.

In the mid 1960s, the case that the Federal fisc had become the "primary source of discretionary public expenditure" was certainly bolstered by the then current concern about "fiscal drag" which is to say, the doctrine — for it had a doctrinal air about it — that the Federal tax structure was such that revenue tended to flow in faster than expenditures flowed out, thus depressing economic growth. It was then becoming a point of principle for Federal executives to find new ways to spend money. Those days, for the moment, seem past, but the events that followed seem only further to confirm the assertion that initiatives now come from Federal funds, for we see that when revenues run out, the Federal government cheerfully and consistently incurs a deficit. The deficit, for fiscal year 1976, as an example, is likely to be almost as large as the whole of John F. Kennedy's budget.

Federal Grants-In-Aid

Third, I asserted that "the tradition of decentralization and the fact of federalism is greatly inducive to the grant-in-aid as the principal form of

Federal expenditure on domestic programs." Certainly there is no evidence that this is to be anything but an enduring aspect of federalism. In 1969, as Assistant to the President for Urban Affairs (a post, as I have written, which I was the first to hold and hopefully will prove to have been the last), I was associated with the proposal of the two more important measures affecting federalism of the post war era: a Federal guaranteed income and Federal revenue sharing. The distinctive quality of both these measures is that they were not grants-in-aid. Family assistance, as it was known, would have provided income directly from the Federal government to the individual. Revenue sharing was to be without strings. These measures, it will be recalled, were proposed jointly in a Presidential address in 1969, along with a third measure to greatly devolve the Federal administration of the manpower programs that had grown up in the 1960s. There was a harmony to these measures taken as a whole, and a certain theory of government behind them. On the one hand, the Federal government was giving money directly to individuals, to do with as they liked. On the other hand, it was giving money to state and local governments to do with as they chose (given compliance with constitutional mandates about non-discrimination). Simultaneously, and in between these opposite actions, it was giving state and local governments more say so about a large set of programs recently launched in Washington. The idea was to increase the options both of individuals and of institutions. Yet the proposals were only partially successful. The general guaranteed income twice passed the House; but in the end, the Senate would not have

“Participation in government is a good which Americans actively seek, especially as they become more educated and have more discretionary time and resources.”

it, or rather would not risk voting on it. (A guaranteed income of sorts, the Supplemental Security Income program, was, however, established for older and disabled persons.)

What is called revenue sharing was enacted, but not as an automatic pass through of a certain percentage of Federal revenues to other levels of government. Rather it emerged as a fixed annual appropriation to be distributed for general use, but with eight “priority expenditure categories” in the “operating-maintenance” area, and another such list for “capital expenditures.” The change in the manpower programs was more successful, but it was always contemplated that this would remain a grant-in-aid program. And so at most a partial success may be claimed, and even that is not certain, for in the process of considering welfare reform, Congress added all manner of gratuitous and even onerous conditions to the continued receipt by state and local government of Federal grant-in-aid for the relief of needy persons. I would thus testify from experience that the tenacity of the grant-in-aid procedure is as formidable or more so than that which I described in 1965, adding only that Morton Grodzins was wholly correct in identifying the Congress as the primary advocate, and presumed beneficiary, of this arrangement. Then as raises the money spend it: preferably in discrete amounts that may be announced regularly, district-by-district. And that is about all there is to say on the subject, save to note the periodic seizures of real or feigned alarm at the growth of centralized power which result in predictable — and short lived — schemes for consolidation and decentralization. In this connection, I wrote in 1955:

This maze of programs will produce periodic efforts to collapse activities into larger, more general categories, but the process is likely to be one of alternating prolifera-

tion and consolidation, and the grant-in-aid will persist.

Citizen Participation

The last of the conditions I posited for the future of federalism was perhaps a more novel one and may even now find difficulty of acceptance. I wrote that “the diffusion of the middle class ideal of participation in public decision making will add a considerable and, in a sense, unanticipated utility to the complexity of the American government structure, which requires such great citizen participation to operate.” This was an assertion more or less directly opposed to the critique of American federalism that underlay three generations of government reform movements calling for the installation of professional city managers, metropolitan consolidation, and such like measures of rationalization. In effect, I stated that participation in government is a good which Americans actively seek, especially as they become more educated and have more discretionary time and resources. Obviously this has proved so. Especially in the later 1960s, far from seeking to simplify federalism, Washington actively engaged in creating whole new layers of governments, semigovernments, paragovernments, and even antigovernments. No single event was as revealing, perhaps, as the creation of the community action programs in the “War on Poverty” where participation was viewed openly as a therapeutic: not only a right, but a remedy. It was prescribed for the poor. This development took on considerable dimensions. Witness the extraordinary fall out of the *National Environmental Policy Act of 1970*. All of a sudden, the most seeming simple acts of government became subject to the most exhausting scrutiny by citizens who chose to concern themselves

with the matters at hand, and formidable numbers chose to do so. A further event occurred in 1973, when the U.S. Supreme Court ruled that citizens had legal "standing" in court on environmental issues affecting the public as a whole, and as such could sue.

There is of course a price paid for this. After asserting that participation would become an ever more valued product of government, I wrote in 1955:

This is not to say that government will become more efficient as the "quality" of the electorate improves and the proportion of persons taking an active part in public affairs increases. The opposite might well be the case: the more persons involved in making a decision, the more difficult it becomes to reach one.

This process is cruelly in evidence in Cambridge, Massachusetts. A decade ago that community, acting for, and in a sense with, the nation, resolved to build a memorial to John F. Kennedy to be associated with Harvard University. A decade later it is clear the project is all but dead. It has been killed by citizens exercising powers and acting for organizations that scarcely existed when John F. Kennedy came to the Presidency and vowed to get America moving again. Well, his memorial never got moving at all.

Were I rewriting my 1955 paper I would, if anything, expand the emphasis on participation as a product of government, noting especially its importance in a multiethnic society such as ours. The symbolic importance of representatives of ethnic groups attaining elective or appointive government office has been but little studied.³⁵

And, of course, these events are substantive as well. And here once more we see the utility rather than the disutility of complexity in the American federal system (and, similarly, the division of powers within any given

level of government). There is no ethnic "group" that can't find some office to which one of its members can get elected or appointed, if it so desires. Most find many, or at least a sufficiency, and some, at a certain point find a veritable plethora. Here again one encounters a further unsuspected utility. The diffusion and complexity of government power in the federal system is such that few offices are that important. Hence, the process of ethnic succession is eased. Those "in" do not that much mind stepping aside for those "out." The "ins" know that not that much is at stake, really.

Those who might tend to underestimate the value of this opportunity rich system may wish to contemplate the hard history of Northern Ireland over the past half century. A perfectly democratic system has been in place there, but it has been a British democratic system, which is to say a unified system in which the majority in Parliament possesses all power, sharing it not at all with the minority. This works well enough — some say it works incomparably well — when there is a recurrent transfer of power as broad based political parties win and lose their parliamentary majorities. But in a situation of confessional parties — ethnic parties — of which one possesses a numerical majority, under a British system the ins are always in and the outs are always out — and the outs have nothing. Consider and contrast the profusion of offices and, indeed, of powers, which a political minority can obtain under the American system, especially where that minority is a majority with respect to a particular unit of a multilayered government such as a county, or a city, or even a ward! Certainly the years since 1965 have seen this process dramatically at work. Federalism makes for an opportunity rich politics. This includes opportunities for new groups to enter the active part of the political system. More accurately stated, it came to seem important to educated and higher class groups who in the past had

³⁵See Daniel P. Moynihan and James Q. Wilson, "Patronage in New York State," *American Political Science Review* (June 1964). Also, Nathan Glazer and Daniel P. Moynihan, *Ethnicity: Theory and Practice* (Cambridge, Harvard University Press, 1975).

tended to deplore it in the working class politics of the great cities. But the politicians, as one of them put it at the turn of the century, had only seen their opportunity and taken it. In this case, it was the opportunity to build coalitions by taking advantage of the profusion of offices under federalism to reward ethnic groups. Now in the 1960s, this practice came rather to be celebrated by those who had previously deplored it. One may make bold to say that those whose avocation it had been to improve American government commenced to learn something about the techniques that keep it from collapsing. Thus, having a decade ago, set forth these conditions in which it seemed the federalism of the future would develop — as seen in the perspective of the Commission on the Year 2000 — I then made bold to announce “Six Themes for the Last Third of the Twentieth Century.” Let’s look at how these hold up, not quite a third of the way through that third.

I. Wedding Cake Federalism

Varying the image of “marble cake federalism” which several political scientists used to describe as the mixing up of functions between the putatively separate levels of the federal system, I contended that nonetheless “a multitiered system of bureaucracies and government activities” was assuming permanent shape, surmounted by the person of the President (and increasingly the person of the First Lady as well).³⁶ This pattern holds: it even becomes more pronounced as the growth rates of expenditure and employment at the lower levels of the federal system continue to be generally greater than those higher up. From 1950 to 1974, as noted, Federal expenditure as a proportion of GNP increased by half, but that of state and local governments by two thirds. In 1973, Federal employment, excluding defense, was 1.7-million. State employment,

excluding education, came to 1.7-million. Local employment, excluding education, 3.6-million; state and local education accounted for 5.7-million. Since 1960, Federal employment has increased by a quarter to a third; state employment has gone up by half; local employment has gone up by two thirds. Education employment has doubled. In the future, we may expect that Federal funds will play a yet increased role, but also that this wide at the bottom, narrow at the top pattern will also increase. It is at least likely that government under a variety of pressures will increasingly be in the business of deliberate job creation. Presidents at the top of the system will want this policy, but they will want the results to show up at the bottom of the system. As we run out of school children, for example, we will find ourselves creating another year or two of school — “pre-school” — which will provide jobs for teachers. The money will be mostly Federal: the jobs mostly local.

II. New Varieties of Government

Because, I wrote, “multipurpose metropolitan government is not likely to emerge, special purpose governments are likely to multiply.” There is no census of special purpose governments, and so no hard data come to hand on this point, but other evidence suggests that the trend continues. In this respect, I wrote that “the lines of authority and communication within the federal system are more likely to assume a triangular form in which each government has direct relations with the other two clusters of public activity.” Here we encounter the overwhelming case of revenue sharing. In their fine new book, *Monitoring Revenue Sharing*, Richard P. Nathan, Allen D. Manvel, and Susannah E. Calkins show that revenue sharing as first proposed in the 1960s was a scrupulously proper Federal program: one level of government would assist the level immediately below it, and that would be that.³⁶ But, they note, as the discus-

³⁶Richard P. Nathan, Allen D. Manvel, and Susannah E. Calkins, *Monitoring Revenue Sharing* (Washington, D.C.: The Brookings Institution, 1975).

sion continued into the late 1960s, both Walter Heller and Joseph A. Pechman, along with the Advisory Commission on Intergovernmental Relations, advocated that "any revenue sharing arrangement should specifically direct a portion of the funds to principally urban local governments." A cutoff point of 50,000 population was thought reasonable, involving fewer than 800 jurisdictions. In 1969, when revenue sharing was first actually proposed, this was the outcome contemplated. But in the end, a far more detailed system was enacted. Two thirds of the shared revenue went to 38,000 local governments. Nathan and his colleagues assert that

it seems likely that only a minor fraction of all the local jurisdictions that now receive shared revenue had ever before received grant funds directly from the Federal government.

In all, they conclude, the measure "departs much more substantially from traditional American federalism." I would only add that it does not at all depart from the second theme of my 1965 paper.

III. Metropolitanism in Education

Education (and educators!) have for long been quite the most flexible level — or function — of the federal system, expanding, contracting, multiplying, diminishing, from one generation, even one decade, to another with unmatched adaptability and, one may say, grace. In the main, the trend has been to fewer units and larger jurisdictions. (President Hoover's Commission on Recent Social Trends noted that in 1926 there were 25,000 fewer public school buildings than there had been in 1916). In 1965, I suggested that despite a growing interest in "decentralization" in "very large urban districts" there were still gains to be had from further mergers.

In the event that no significant measure of integration occurs in housing in the near future, there are certain to be growing demands

to bring an end to the racial isolation of Negroes in public schools by establishing metropolitan school districts that encompass both the central city Negro areas and the white suburbs.

Clearly I was wrong here in the sense that such a movement is not notably in evidence. Instead, a somewhat different movement developed, that of busing for racial integration, but withal a movement directed specifically to this issue. Busing has encountered opposition, of course; but metropolitan reorganization always encounters opposition. It may be, however, this opposition will direct efforts back to a more formal metropolitanism. The theme will continue with us.

IV. National Social Accounts

In the middle third of the 20th century, I wrote, with an innocence so profound as to defy embarrassment, "the most powerful development in government was the emergence of a political economy capable of comprehending, predicting, and directing economic events." I proposed that the most powerful development of the last third of the century would be

the emergence of a social science coupled with and based upon a system of social accounting that will give government an enlarged capacity to comprehend, predict, and direct social events. . . . It will be imperfect, but serviceable. In one political climate this may take the form of controlling society. In another it may produce a governmental system more effectively responsive to the wishes of the electorate than any society in history. . . . At present, the social sciences are extremely rudimentary, and the likelihood of a major breakthrough is small. Indeed, the

major discovery of the next generation may be that such developments are impossible. But it is certainly probable that sheer lack of information will have less influence on events in the future than it has in the past, and that will make a difference in outcomes.

This theme has been much in evidence since, although with consequences not everyone anticipated. It was, for example, a practice of optimistic policymakers of the mid 1960s to provide for the evaluation of the social programs then being inaugurated in such profusion. In the main, these evaluations have had a depressing effect. Results were never so positive; never so emphatic as had been hoped for and expected. David Riesman epitomized the sequence: "Innovation and euphoria; evaluation and despair." It should not be thought, however, to be an experience peculiar to the 1960s. It has been with us for some time and will continue to be. Our society has had so much success, it has done so many of the things that can be done, has conducted so many natural experiments that not much that is new is readily discovered or unambiguously desirable. But this need not occasion quite so much gloom as evidently it does. As an example, recently, in the *New England Journal of Medicine*, Joseph P. Newhouse, Charles E. Phelps, and William B. Schwartz published a quite striking study, "Policy Options and the Impact of National Health Insurance." One of their conclusions was, I submit, predictable enough.

Realistically, then, policymakers must recognize that even a substantial investment in delivery of more health services is not likely to produce any clearly measurable change in any dimensions of health, whether length of life or physical well being.³⁷

Why could this conclusion be said to have been predictable? Because anyone familiar with the data knows that the United States already spends a very good sum on health services, and that our health in consequence is quite good. Success! Yet, the recent tendency has been to be annoyed by such findings. Alexander at the Indus wept to think there were not more worlds to conquer; and we may yet prove his heirs. (One may speculate whether this frustration is not a source of the relative inability of the United States, and of the West, to evoke ideological allegiance, when far less successful societies such as the Soviet Union do. Is it that being less scientifically developed — and less scientific — they can still think the future holds wondrous things? Chiliastic movements live in the future. The contrast is notable. For half a century new nations have desired a future different from ours. Yet individuals who desire to improve their situation in the present, migrate by the hundreds of thousands to the United States — as many as we will take. How many migrate to the Soviet Union!) But whatever the consequence, social accounting is increasingly an aspect of public affairs in the United States. With respect to government programs, it has assumed a role of presumptive normalcy alongside the financial audit functions of earlier years. We now publish an annual volume of social indicators compiled by the Executive branch: Congress has greatly expanded its staff support in this area; while a small, if nervous, industry of social science firms has grown up to provide design and evaluation services to various levels of government, much as engineering firms earlier on were established to advise on, and design, public works projects.

Still, there is a suggestion here for federalism, or at least I came to think so as these findings began to accumulate in the late 1960s. The case can be made that government activities whose function is well understood are most appropriate to the national

³⁷Joseph P. Newhouse, Charles E. Phelps, William B. Schwartz, "Policy Options and the Impact of National Health Insurance," *New England Journal of Medicine*, Vol. 290, No. 24 (June 13, 1974).

level; whereas the more personal and elusive programs are best located further down where modest success or even, where such is the case, failure is sufficiently fragmented as to threaten national morale, or seem to indict the whole of the social and political system. In days of unambitious government, this was not a subject students of federalism need have given great heed to. But I submit that the experience of the 1960s commands our attention. I would suggest, for example, that the *Voting Rights Act of 1965* — and the social accounting in the form of voter participation data that has followed from it — was a splendid example of appropriate and effective national legislation. The *Safe Streets and Crime Control Act of 1968* was, by contrast, poorly advised. The Federal government knew nothing about crime prevention that was not known at other levels of government, and the record should be clear enough that it has not done much about it. Which is to say that little has happened that wasn't going to happen anyway, except that we are spending more.

V. The Quest for Community

One of the striking themes of the 1960s was the spread of concern about alienation in society and rising prestige of localism. In his book, *The Quest for Community*, published in 1953, Robert A. Nisbet wrote that "Schumpeter, in his great book *Capitalism, Socialism and Democracy*, wrote that one of the flaws in capitalism is its inexhaustible capacity for alienating the intellectuals." Nisbet judged that the situation had got by then to the point where the quest for community, the effort to overcome or prevent alienation, had "become the dominant social tendency of the 20th century."

One could only agree, and the evidence is hardly contrary. One of the curious twists of recent past is that in the 1960s much of the "left" in America adopted many of the traditional positions of the "right," arguing for government close to the people, close to the grass roots, far from corrupting temptations of power. The Johnson Administration said it believed this. The Nixon Administration said it believed this. The Ford Administration will surely say the same. But with small consequence. Nisbet wrote carefully when he suggested that the quest for community would be a dominant theme of the century: a quest as for the Holy Grail. Never ending. In modern societies power concentrates. Indeed it could be argued that in recent years the Federal government, seeking to enhance something poorly understood called community, has in fact impaired something quite adequately understood — namely local government.³⁸ By establishing competing paragovernments with access to local funds and proliferating administrative and court procedures for appealing, protesting, and frustrating decisions of local officials, the Federal government has contributed to the steady diminution of the capacity of local government to act. As this capacity diminishes, the value of this most important of all local communities diminishes also. In 1969, when revenue sharing was first proposed, its most important feature, to my mind, was that no program obligations went with it. One recalls Dr. Johnson asking Boswell to lend him a shilling "not

³⁸A 1975 article on the dispute over the renewal of revenue sharing notes among the objections to it:

That freedom given to mayors and others has prompted part of the criticism of revenue sharing mostly from community organizations that assert they have little or no say on how the Federal largess is used in their areas.

“It is reasonable to expect that the quest for community will continue as a theme in American life and hence in American federalism, and that it will continue as a countervailing influence to centralization and uniformity, a force, as it were, for paradox.”

to be repaid.” This was to be money for local government to spend on things it thought to be significant. Unless important choices are made by local government, local government itself will not be seen as important. But as has been noted, Congress in the end did not choose to set priorities and attach conditions to revenue sharing much as to any categorical program. If, as is likely, revenue sharing adds momentum to the proposal to establish a unified public sector budget for *all* government, then it would probably have to be judged that the net effect will have been yet further centralization, for surely such a budget implies that increment to central control that seems to accompany enlarged information gathering.

Here, as in so much that attends American federalism, trends seem to run counter, one to the other; outcomes seem always somehow paradoxical. There is no data to suggest that “community” in America is eroded. Statements about community have a certain palindromic quality, running equally well in both directions, for to assert the decline of community is to evoke its persistence, and to assert its persistence is to voice a concern that verges on the acknowledgment of decline.³⁹ The question of religious community is an example. In 1890, 34.4 percent of the American population belonged to a church. By 1965, this proportion had near doubled to 64 percent. By 1972, it had declined to 62.9 percent. What then is happening? Similarly, for all “revenue sharing” extended Federal “controls” to yet more remote reaches of the federal system, in that very process it considerably enhanced the ability of the last 10 or 15,000 of those “general purpose governments” to resist moves to consolidate and rationalize the maze of local jurisdictions that persists in the system. Thus centralization produces decentralization, and the “mild chaos” which Morton Grod-

zins described at very least persists. Further, it is reported by talented writers such as Neal R. Peirce, and studied by scholars of the quality of Daniel J. Elazar at Temple University’s Center for the Study of Federalism. (One may note the welcome appearance of *Empire State Report*, a journal devoted to the affairs of state and local government in New York.) It is reasonable to expect that the quest for community will continue as a theme in American life and hence in American Federalism, and that it will continue as a countervailing influence to centralization and uniformity, a force, as it were, for paradox.

Clearly, however, the power of the Federal fisc can be ruinous in this regard when wielded unthinkingly. Surely the most remarkable form of political community to arise and to persist in America is that of the political party. But what will be the effects of the recent Federal decision to finance Presidential primary and election campaigns? Will party disappear in the turmoil and confusion of Federally financed campaigns, a demise which even David S. Broder in his study, *The Party’s Over*, did not foresee? A political scientist might well question whether anything describable as national political parties will survive this usurpation of function. Perhaps this exaggerates. Hopefully it does. But there is little in the record to suggest that this was thought to be a serious consideration when the decision was made to use public monies for a function which for two centuries had been sustained by private monies. One understands the decision of French rationalists that the state should provide the income of the churches there. Was this a similar decision? Of course it was not. But who considered that it might have a similar effect?

³⁹It is not such an argument, and the matter of fact way in which it is reported, evidence of the degree Washington organized quest for community served to delegitimize local government. Who but the mayor and his council is supposed to dispense public funds? Do they not represent the community? If they do not, who does? How are they to be identified? Of course there is a venerable tradition of the college educated in American cities to assume that those elected to public office are somehow not truly representative.

VI. The Rediscovery of the Market

On this final theme I wrote:

As government tries to do more, it will find it accomplishes less. This amounts to the discovery that administrative ability is not a free good, and in the absence of it the best intentioned programs can turn out to be calamities. . . . Moreover, as "easy" problems are disposed of, the more marginal, intractable ones come into prominence, and the return on government efforts manifestly diminishes. All this is likely to lead to what Charles E. Lindblom has termed the "rediscovery of the market" as a means of accomplishing social objectives.

Lindblom had argued that the market mechanism could be serviceable to planned and unplanned economies alike, to both public and private enterprise, and that the discovery of the significance of this "may soon dwarf what we have seen of its consequences so far." I wrote that "the logic of events is very much on the side of Lindblom's assertion."

Now in this I was wholly wrong. Nothing of the kind has happened. More impressive efforts, some considerable, to move policy in this direction did take place in the years after which I wrote — but almost without exception they failed. The most important example was the Family Assistance Plan, surely the most significant piece of social legislation proposed since the New Deal. It would have provided a guaranteed income to the poor, letting them purchase their goods and services in the market, along with everyone else. It almost became law, but it did not. And I will stand by my statement of July 1970, that if the measure were not enacted in the 91st Congress, it would not be enacted in the 1970s. Instead we have had a huge increase of provisions in kind — food stamps — and a continued increase in publicly provided services of various kinds, notably medical services. Other "income strategies" ranging from experimental school voucher

programs to housing allowances have come to little or nothing. To the contrary, government direction grows. One must conclude that the logic of Lindblom's argument has not been found compelling. I must conclude I have proved mistaken in the last of my six themes for the last third of the 20th century.

Why is this? The most I can say is that my last theme was the only one in which I dared to predict that events would commence to move differently from the way they had been moving. The five first themes were well established at the time I wrote, even though not everyone noticed this, or wished to admit it. The sixth theme was not. I chose it nonetheless — lastly, to be sure — because it seemed to me too good an idea not to change minds. As this has not happened, I conclude that the forces that have been shaping federalism in recent decades are immensely powerful and are not likely to be reversed by anything save a large movement of opinion: not expert opinion, but public opinion. And what are these forces? They are, very simply, the growth of government at every level, in every form; the conquest, in Schumpeter's term, of the private sector by the public sector. And what movement of opinion might overcome these forces and reverse events? Nothing less than a genuine political and cultural decision by Americans that government — at all levels, and in every form — is large enough and ought not to get larger. (Or even that it ought to get smaller.)

We are just now passing the point where one third of our GNP is accounted for by government expenditure. As he left government after completing the budget for Fiscal Year 1976, Roy Ash noted that over the preceding 20 years that while outlays for direct government opera-

“In the near future, however, we will continue as we have done: increasing the strength of national governments in the name of increasing the strength of state and local government.”

tions had grown at a rate substantially less than GNP — real defense spending having actually declined — payments to individuals rose at 8.8 percent per year, twice the growth of GNP. On this basis he forecast — or rather he submitted a projection which indicated — that by the year 2000 “government would lay claim to more than 55 percent of the nation’s output . . . even if real defense spending were held constant.”⁴⁰

Now this is not a possibility that occurred to me in 1965, when in the main we were still coming out of that period in our history when it was difficult indeed to induce governments to spend money. To recall, the problem of “fiscal drag” was seen to arise from this propensity not to spend. Has there been some change since? The statistics suggest there has been, and this at least suggests that there can be yet further change. A forecast seems in order. Through the 1980s, the tendency of government to grow will continue of its own momentum, but in the process the political generation that was shaped by the assumption that American government does not tend to grow will be replaced by a generation that from its own — and different — experience knows that it does. The advantage in argument of the late 1950s will have been reversed, with the burden of proof having devolved onto those contentions it will be that government still does too little, and ought to do more. The government interest, of course, will be stronger. Neal R. Peirce writes in *National Journal*:

*. . . between 1955 and 1973, while private industry earnings were increasing 129 percent, Federal employees obtained wage increases of 183 percent and workers in state and local government saw their wages rise 165 percent.*⁴¹

To one who was involved in the early Kennedy years in the successful effort to establish the principle of “comparability” in the pay of Federal employees and workers in the private

sector, these are striking patterns. Clearly the old imbalance, if that is what it was, and that surely is how it was seen, has been set right. In forecasting a slackening of the growth of government — barring a corporate statism imposed on us by events from abroad — one does not draw on any rules, much less data. But it is the case, as I believe that within the middle classes, where as James Q. Wilson reminds us, most real political divisions occur, there is a disposition to fair mindedness and balance which was aroused on behalf of government growth in the middle third of the century but which is just as likely to find itself opposed to this in the latter third. Hence, I would judge that well before government is taking half the income of the country, somewhat past the 40 percent point, we will taper off. And at that point issues of federalism will once again assume a true saliency, for we will be discussing the distribution of power and resources in a relatively stable state. In the near future, however, we will continue as we have done: increasing the strength of national government in the name of increasing the strength of state and local government.

If this seems not an especially promising proximate future, one may consider some alternatives. In February 1975, as is the pleasant custom of some duration, a member of the British cabinet happened to be in the United States and came to Cambridge to have dinner with a group of faculty. He arrived in a snow storm, a bit late, and quite baffled by the apparent fact that the taxi driver he had engaged in Boston seemed never to have heard of Harvard University. I took the liberty, another pleasant and enduring custom, of explaining to him that the British were to blame

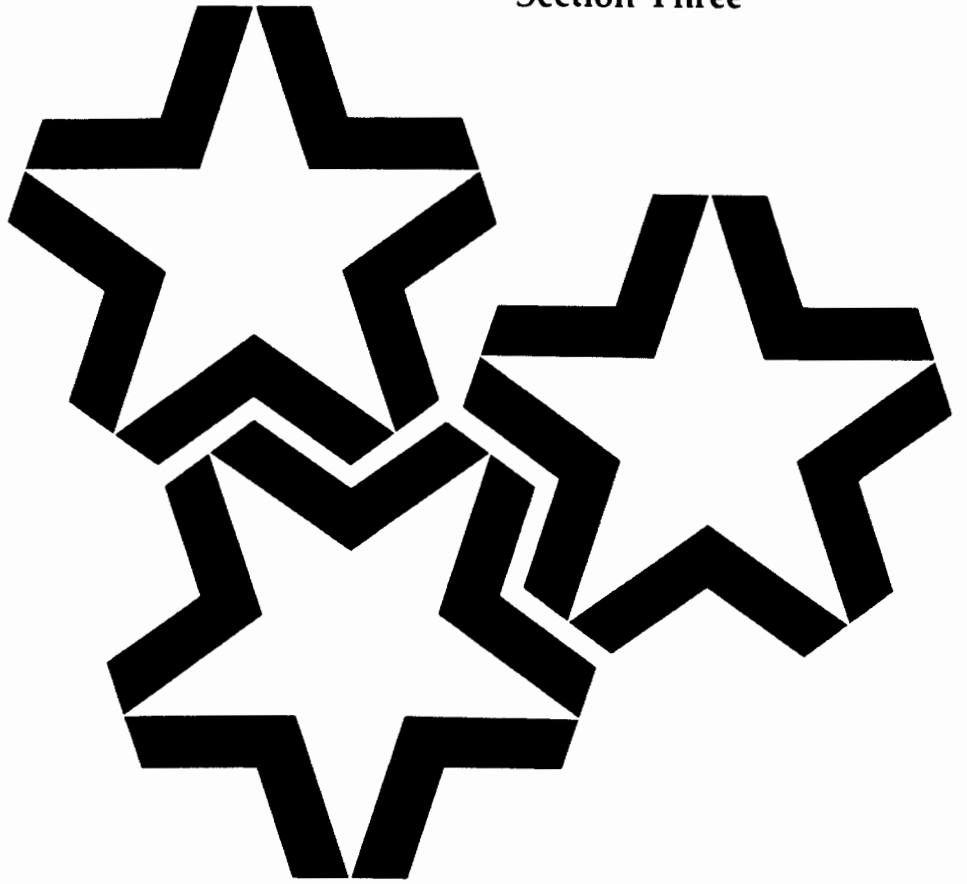
⁴⁰The Office of Financial Analysis of the Department of the Treasury subsequently released tables on government receipts as a percent of Gross National Product for the period 1929-2000. The growth rate for 1929-74, projected to the year 2000, would raise the proportion from an estimated 33 percent for 1974 to 45 percent by 200. The growth rate of the years 1955-74 would bring the proportion to 56 percent.

⁴¹Neal R. Peirce, “State-Local Report/Fiscal Crisis Illustrate Growing Interdependence,” *National Journal* (February 22, 1975).

for this, having bequeathed us a Tudor policy. A what? asked the minister. Boston, I explained, is a wholly different city from Cambridge across the way. One is a system of hackney licenses, and supervision was wholly separate from the other's. Our visitor could, of course, have pointed to the Boston taxi (or the Cambridge taxi) as indeed quite a representative of American federalism. It is a squalid, unsafe, expensive, and degrading experience for the rider and a humiliating and presumably terrifying one for the driver, squashed in his filthy front seat, behind an ugly plastic partition designed to prevent his head being blown off by the criminals who roam the barbarous and not less filthy streets of Boston and Cambridge. Now there are few countries on earth which put up with such failure of government — at this level of government performance — but we do. And this is the price we pay for the government arrangements we have. And yet on the same evening another aspect of American federalism was touched on, if indirectly. After dinner, the minister was being questioned on the prospects for Britain remaining in the European Common Market. He discussed these with knowledge and insight, but then said that if the company really wished to know what was on his mind, it was not whether Britain would federate with a yet larger system of governance. What concerned him was whether the United Kingdom was going to break up.

That is an issue we do not face. It is in no small measure the result of a marvelously flexible and enduring system of shared but interconnected power which for two centuries has provided a stable and enduring government over a vast and heterogeneous society and an even more stupendous territory.

Daniel Patrick Moynihan, *professor of government at Harvard University and a member of the faculty of John F. Kennedy School of Government, served as U.S. ambassador to India from 1973-74. Prior to that he served as consultant to the President for two years, then as counsellor to the President and member of the Cabinet. He was Assistant to the President for Urban Affairs and executive secretary of the Council for Urban Affairs in 1969. He was a member of the United States Delegation to the United Nations in 1971. He has also served as special assistant and executive assistant to the Secretary of Labor, assisting and acting secretary to the governor of New York and director of the Joint Center for Urban Studies of the Massachusetts Institute of Technology and Harvard University. He has authored and coauthored several books including Maximum Feasible Misunderstanding and Coping: On the Practice of Government.*



Thursday, February 20	12:15-1:45 p.m.	American Federalism: A Paradox of Promise and Performance , a speech by Robert E. Merriam, Chairman, Advisory Commission on Intergovernmental Relations.
	2:00-2:45 p.m.	Thirty Table Discussions: What Are Today's Major American Intergovernmental Problems?
	3:00-3:45 p.m.	Thirty Table Discussions: What Are The Most Promising Solutions to the Identified Problems?
	3:45-4:45 p.m.	Round-up of Problems and Solutions. Discussion Leaders: Representative Clarence Brown, Jr., Ohio, and HEW Secretary Caspar Weinberger, ACIR Members. Moderator, Tom Fletcher, President, National Training and Development Service.
Friday, February 21	6:30-7:30 p.m.	Reception for Participants.
	9:00-9:45 a.m.	Functions in Flux , Alan Campbell, Dean, Maxwell School, Syracuse University. Presiding Officer: Jack Maltester, Mayor, San Leandro, California, ACIR member.
	9:55-10:40 a.m.	Regionalism: Paper Tiger or a Real Challenge? (Three parallel sessions on this topic, each on a different aspect.) Session A—Some Viewpoints. Presiding Officer: John H. Brewer, County Commissioner, Kent County Michigan; Member of ACIR. Speakers: Francis Francois, Past President, National Association of Regional Councils; County Council Member, Prince George's County, Maryland. Edward Regan, County Executive, Erie County, New York. Robert B. Hawkins, Jr., Chairman, Governor's 1974 Task Force on Local Government Reform, Sacramento, California. Session B—How It Works. Presiding Officer: Senator Robert P. Knowles, Wisconsin State Senate, Madison, Wisconsin; Member of ACIR. Speakers: John Boland, Chairman, Minneapolis-St. Paul Metropolitan Council, Minneapolis, Minnesota. Lex Hester, Chief Administrative Officer, Jacksonville-Duval County, Florida.

- Session C—Metropolitan Area Solutions.**
 Presiding Officer: Farris Bryant, President, National Life of Florida Corporation; Former Governor of Florida; Former Chairman of ACIR.
 Speakers: Anthony Astrachan, Foreign Correspondent, New York, New York
 Howard Hallman, President, Center for Government Studies, Washington, D.C.
 Scott Fosler, Director, Governmental Studies, Committee for Economic Development, Washington, D.C.
- 10:50-11:35 a.m. **State, County, and City Modernization: The Rhetoric, the Record, and Relationship to the Servicing Role.**
 Presiding Officer: James Falk, Associate Director, The Domestic Council, Washington, D.C.
 Speakers:
 The States: Dan Evans, Governor, Washington; Member of ACIR.
 The Counties: Conrad Fowler, Probate Judge, Shelby County, Alabama; Member of ACIR.
 The Cities: Richard Lugar, Mayor, Indianapolis, Indiana; Member of ACIR.
- 11:45-12:30 p.m. **Urban Transportation: An Old Service Sector with New Institutional and Fiscal Problems.**
Session A—ACIR's New Findings and Recommendations.
 Presiding Officer: Arthur Naftalin, Professor, University of Minnesota; Former Mayor of Minneapolis.
 Speaker: John H. Poelker, Mayor, St. Louis, Missouri; Member of ACIR.
 Commentators: Bruce Barkley, U.S. Department of Transportation, Washington, D.C.
 Edwin G. Michaelian, Past President, National Association of Counties; Member, New York Metropolitan Transportation Authority.
- Session B—Where It's Happening.**
 Presiding Officer: John Hanson Briscoe, Speaker, Maryland House of Delegates; Member of ACIR.
- 12:45-2:30 p.m.
- 2:45-3:35 p.m.
- 3:45-4:45 p.m.
- 7:00-9:00 p.m.

**Saturday,
February 22**

Speakers: Harry Hughes, Secretary, Maryland State Department of Transportation.

B. R. Stokes, Executive Director, American Public Transit Association.

Revenue Sharing: Renewal Time Approaches.

Presiding: Robert E. Merriam, Chairman, ACIR.

Speaker: Senator Edmund S. Muskie, Maine; Chairman, Senate Budget Committee; Chairman, Senate Intergovernmental Relations Subcommittee; Member of ACIR.

The New Mix of Federal Assistance: Project, Formula, and Block Grants—Different Approaches with Different Management and Money Implications.

Presiding Officer: Robert D. Ray, Governor, Iowa; Member of ACIR.

Speaker: Elmer B. Staats, Comptroller General of the United States.

Commentator: Daniel Elazar, Director, Center for the Study of Federalism, Temple University, Philadelphia, Pennsylvania.

In Search of Solvency—Strengthening the State and Local Fiscal Systems.

Part I—State Revenue Sharing and Building Strength and Equity into State Revenue Systems.

Speaker: Wendell Anderson, Governor, Minnesota.

Part II—The Property Tax of Tomorrow.

Speaker: Ronald B. Welch, Retired Assistant Secretary for Property Taxation, State Board of Equalization, California.

Reception and Buffet for Participants at John Quincy Adams Suite at U.S. State Department.

9:00-9:35 a.m.

Conference Overview and Summary.

Presiding Officer: Senator Robert Knowles, Wisconsin State Senate, Madison, Wisconsin; Member of ACIR.

Speaker: William G. Colman, Governmental Consultant, Potomac, Maryland; Former Executive Director, ACIR.

9:45-10:30 a.m.

Managing the Economy and Assuring Productivity.

Speakers: Edgar Fiedler, Assistant Secretary, Economic Policy, U.S. Department of Treasury, Washington, D.C.

Arthur Okun, Senior Fellow, Brookings Institution, Washington, D.C.

10:35-11:15 a.m.

Coming Issues in Public Control Versus Public Property Rights.

Speaker: Ralph R. Widner, Director, Academy for Contemporary Problems, Columbus, Ohio.

11:20-12 Noon

We Took Our Eye Off the Ball.

Speaker: Harlan Cleveland, Director, International Programs, Aspen Institute for Humanistic Studies, Princeton, New Jersey.

12:20-2:00 p.m.

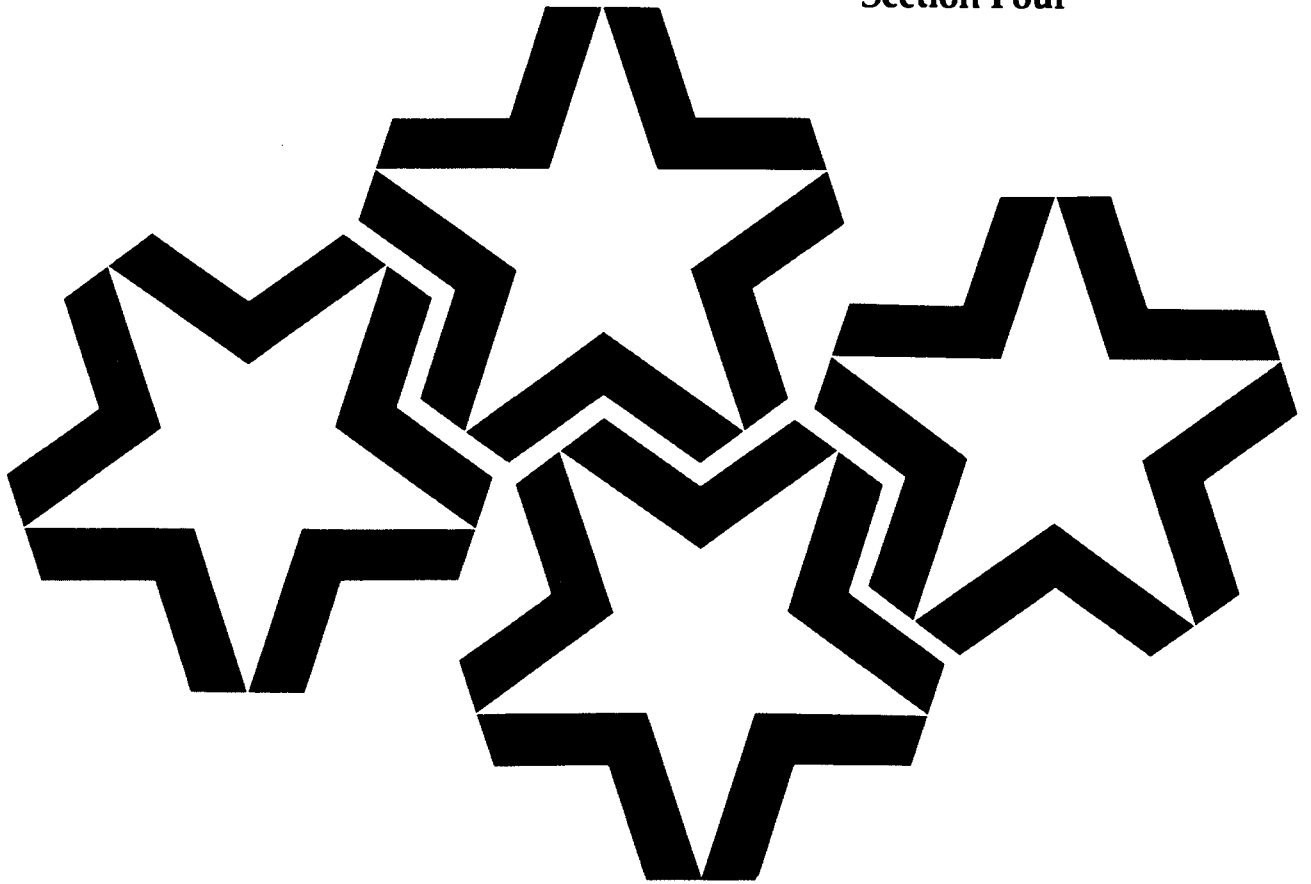
Closing Luncheon.

The Future of Federalism.

Speaker: Daniel P. Moynihan, Professor, Harvard University.

2:00 p.m.

Conference Adjournment.



Participants in ACIR Conference on American Federalism in Action

The 393 participants in the *National Conference on American Federalism in Action* represented all levels of government, numerous colleges and universities, and a broad range of national public interest organizations and private citizens.

The largest single category of participants was that representing city government (21 percent of the attendees were mayors, city managers and their employees, school board members, representatives of councils of government, and regional bodies). Those representing academia totalled 15 percent of the group; the Federal government, 12 percent; and state government, 14 percent. County governmental representatives comprised 9 percent of the participants and private citizens 12 percent. Persons representing public interest groups comprised 13 percent of the total.

Seventeen foreign visitors attended the conference under arrangements made by the U.S. Department of State and the National Academy of Public Administration.

Participation in the conference was by invitation. The state, county, and city officials were nominated by the national associations representing them: The Council of State Governments, International City Management Association, the National Association of Counties, the National Governors' Conference, the National League of Cities, the National Conference of State Legislatures, the U.S. Conference of Mayors. Invitations were also extended by the Commission to federal government representatives, civic leaders, academics, and ACIR alumni.

A list of attendees in alphabetical order follows.

- Jack Abrams
County Commissioner
Okanogan County, Wash.
- Mamdough Abdel Hamid Ahmed
Secretary General
Nat'l. Institute of Mgmt. Dev.
Cairo, Egypt
- Frank Alan
Director
Office of Congressional Liaison
Law Enforcement Asst. Admin.
Washington, DC
- Lyle W. Alberg
City Manager
Independence, Mo.
- James P. Alexander
Assistant to the Mayor
Special Programs
Washington, DC
- Richard R. Almy
Research Director
Research & Technical Services
Int'l. Assoc. of Assessing Officers
Chicago, Ill.
- John H. Altorfer
Peoria, Ill.
- Ms. Joan G. Anderson
Trustee
Metro Sanitary District
Chicago, Ill.
- Wendell Anderson
Governor
St. Paul, Minn.
- Harold Antoine
General Manager
Human Development Corp.
Metro. St. Louis
St. Louis, Mo.
- Meg Armstrong
Office of the Governor
State Capitol
Denver, Colo.
- Anthony Astrachan
New York, NY
- Anne E. Avery
Chairman
Reg. Planning Board
Genessee-Finger Lakes
Rochester, NY
- Kenneth Back
Director
Dept. of Finance & Revenue
Washington, DC
- Robert F. Bacon
Assoc. Admin. for Airports
Fed. Aviation Admin.
Washington, DC
- Roy W. Bahl
Director
Metropolitan Studies Program
Syracuse, NY
- Dixon Bain
ABT Associates, Inc.
Cambridge, Mass.
- Earl M. Baker
Assistant Professor
Dept. of Poli. Sci.
Temple University
Philadelphia, Pa.
- Frank Bane
Washington, DC
- Paul C. Barber
Selectman-Treasurer
Massachusetts Selectmen's Assn.
Duxbury, Mass.
- Bruce Barclay
US Dept. of Transportation
Washington, DC
- Ben Barnes
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Brownwood, Texas
- James A. Barnes
Sacramento, Calif.
- Timothy A. Barrow
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Phoenix, Az.
- Richard Barton
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Clarksburg, W. Va.
- T. M. Batchelor, Jr.
County Executive
Albemarle County
Charlottesville, Va.
- William O. Beach
County Judge
Montgomery County
Clarksville, Tenn.
- N. A. Beadles
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College of Business
Univ. of Georgia
Athens, Ga.

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 University of Houston
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*Dean
 College of Management
 Univ. of Texas-Permian Basin
 Odessa, Texas*

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 Office of the Director
 Congressional Research Service
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 Claremont, Calif.*

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*City Attorney
 Dallas, Texas*

Guthrie S. Birkhead
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 Minneapolis-St. Paul Metro Council
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*Director
 Office of Budget
 Wash. Metro Area Transit Auth.
 Washington, DC*

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*Chief
 Prg. Tech & Mat.
 Manpower Admin.
 Dept. of Labor
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Ray Bonnette
*Legislative Assistant
 Lafayette, La.*

Joe Bonvillain
*City of Lafayette
 Lafayette, La.*

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 Office of Trans. & Planning Assist.
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*Kent County Commissioner
 Grandville, Mich.*

C. Beverly Briley,
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*Secretary of Human Affairs
 Richmond, Va.*

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Pakistan Journal of Public Admin.
Embassy of Pakistan
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Governor's Task Force on Local
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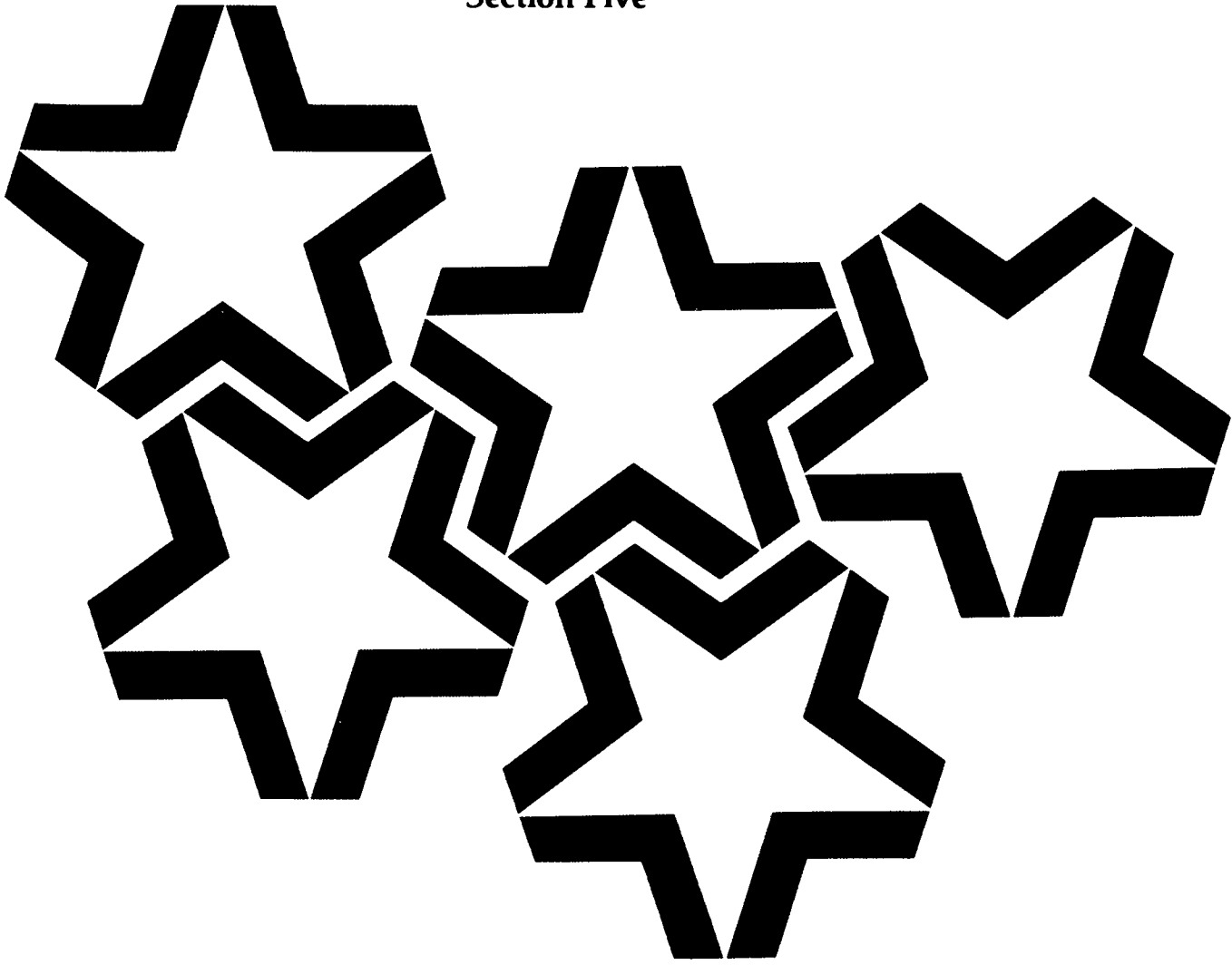
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The Advisory Commission on Intergovernmental Relations (ACIR) was created by the Congress in 1959 to monitor the operation of the American federal system and to recommend improvements. ACIR is a permanent national bipartisan body representing the executive and legislative branches of Federal, state, and local government and the public.

The Commission is composed of 26 members — nine representing the Federal government, 14 representing state and local government, and three representing the public. The President appoints 20 — three private citizens and three Federal executive officials directly and four governors, three state legislators, four mayors, and three elected county officials from slates nominated by the National Governors' Conference, the Council of State Governments, the National League of Cities/U.S. Conference of Mayors, and the National Association of Counties. The three Senators are chosen by the President of the Senate and the three Congressmen by the Speaker of the House. Each Commission member serves a two year term and may be reappointed.

As a continuing body, the Commission approaches its work by addressing itself to specific issues and problems, the resolution of which would produce improved cooperation among the levels of government and more effective functioning of the federal system. In addition to dealing with the all important functional and structural relationships among the various governments, the Commission has also extensively studied critical stresses currently being placed on traditional governmental taxing practices. One of the long range efforts of the Commission has been to seek ways to improve Federal, state, and local governmental taxing practices and policies to achieve equitable allocation of

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Studies undertaken by the Commission have dealt with subjects as diverse as transportation and as specific as state taxation of out-of-state depositories; as wide ranging as substate regionalism to the more specialized issue of local revenue diversification. In selecting items for the work program, the Commission considers the relative importance and urgency of the problem, its manageability from the point of view of finances and staff available to ACIR and the extent to which the Commission can make a fruitful contribution toward the solution of the problem.

After selecting specific intergovernmental issues for investigation, ACIR follows a multistep procedure that assures review and comment by representatives of all points of view, all affected levels of government, technical experts, and interested groups. The Commission then debates each issue and formulates its policy position. Commission findings and recommendations are published and draft bills and executive orders developed to assist in implementing ACIR policies.

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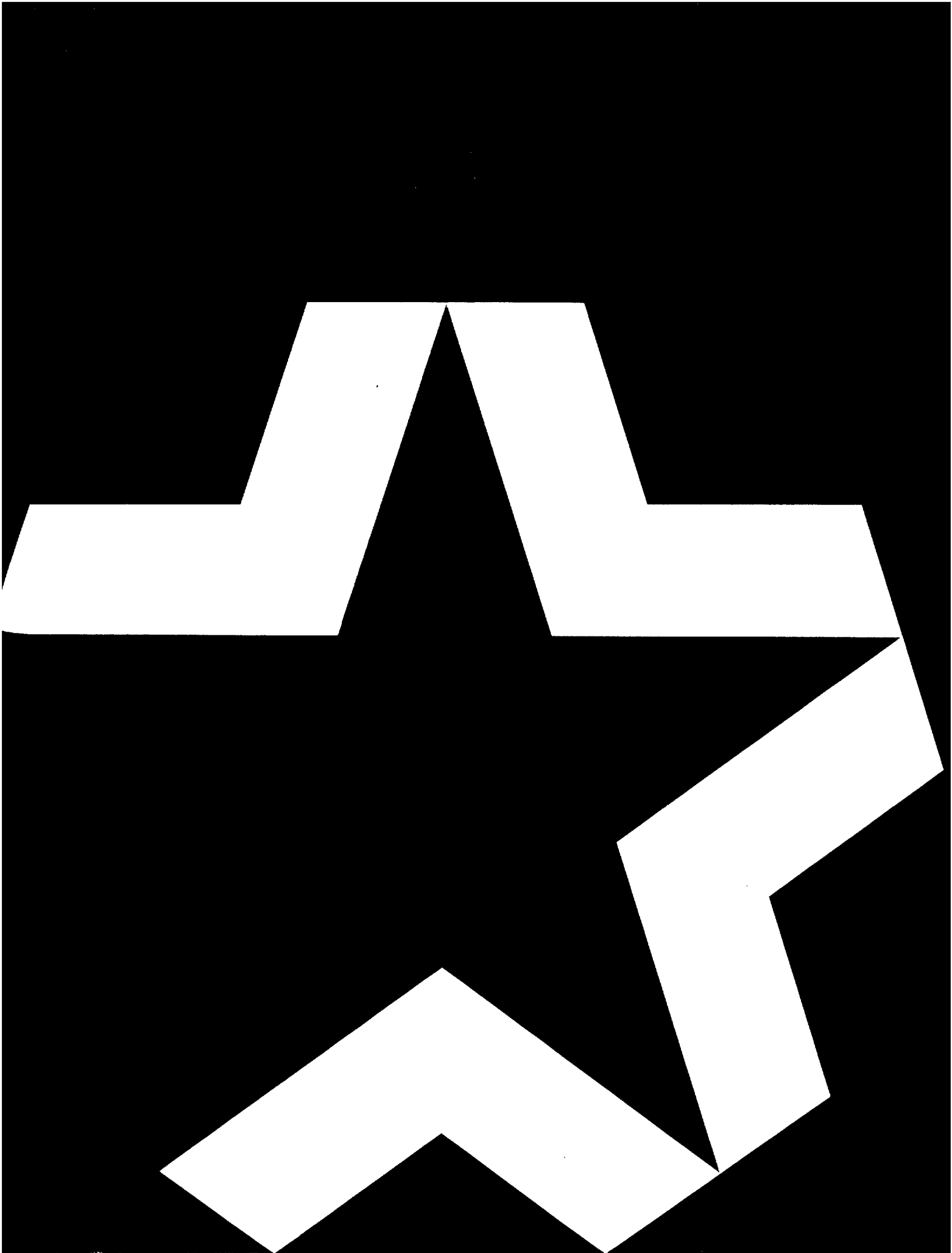
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