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**THE
FEDERAL
ROLE IN THE
FEDERAL SYSTEM:
THE DYNAMICS OF
GROWTH**

**A Crisis of Confidence
and Competence**

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ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS
Washington, D.C. 20575 ● July 1980



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A Commission Report



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PREFACE

The Advisory Commission on Intergovernmental Relations was established by P.L. 380, which was passed by the first session of the 86th Congress and approved by the President on September 24, 1959. Section 2 of the act sets forth the following declaration of purpose and specific responsibilities for the Commission:

Sec. 2. Because the complexity of modern life intensifies the need in a federal form of government for the fullest cooperation and coordination of activities between the levels of government, and because population growth and scientific developments portend an increasingly complex society in future years, it is essential that an appropriate agency be established to give continuing attention to intergovernmental problems.

It is intended that the Commission, in the performance of its duties, will:

1) bring together representatives of the federal, state, and local governments for the consideration of common problems. . . ;

5) encourage discussion and study at an early stage of emerging public problems that are likely to require intergovernmental cooperation;

6) recommend, within the framework of the Constitution, the most desirable allocation of governmental functions, responsibilities, and revenues among the several levels of government. . . .

Pursuant to its statutory responsibilities, the Commission, from time to time, has been requested by Congress or the President to examine particular problems impeding the effec-

tiveness of the federal system. The 1976 renewal legislation for General Revenue Sharing, P.L. 94-488, mandated in Section 145 that the Commission:

. . . study and evaluate the American federal fiscal system in terms of the allocation and coordination of public resources among federal, state, and local governments including, but not limited to, a study and evaluation of: (1) the allocation and coordination of taxing and spending authorities between levels of government, including a comparison of other federal government systems. . . . (5) forces likely to affect the nature of the American federal system in the short-term and long-term future and possible adjustments to such system, if any, which may be desirable, in light of future developments.

The study, *The Federal Role in the Federal System: The Dynamics of Growth*, of which the present volume is one component, is part of the Commission's response to this mandate. Staff were directed to: (a) examine the present role of the federal government in the American federal system; (b) review theoretical perspectives on American federalism, the assignment of functions, and governmental growth; and (c) identify historical and political patterns in the development and expansion of national governmental domestic activities. This volume introduces the subject of the federal government's growth. It is one of ten volumes prepared by Commission staff pursuant to this assignment.

Abraham D. Beame
Chairman

ACKNOWLEDGMENTS

This study was prepared by the governmental structure and functions section of the Commission staff under the general direction of Assist. Dir. David B. Walker. David R. Beam prepared *Chapters I and III*. Bruce D. McDowell prepared *Chapter II* and edited the volume. Frank Tippett and Kathleen Behringer assisted in updating many of the statistical tables. Kathleen Behringer, Delores Dawson, and Lynn Schwalje provided secretarial support.

Chapter I was critiqued on December 13, 1978, at a meeting with the following participants: William G. Colman, Ross D. Davis, Paul R. Dommel, Delphis C. Goldberg, William Gorham, Patrick Henry, Edward K. Hamilton, Everett C. Ladd Jr., Richard H. Leach, Robert Levine, Guy Peters, and Deil S. Wright. Comments were received on Chapter II from George F. Break, William G. Colman, Laszlo Eckerracz, Roger A. Freeman, Richard R. Hite, Lawrence W. Hush, Herbert Kaufman, I.M. Labovitz, Catherine Lovell, and Lee Schoenecker. The Commission gratefully acknowledges the assistance of all those named above.

Full responsibility for content and accuracy, of course, rests with the Commission staff.

Wayne Anderson
Executive Director

David B. Walker
Assistant Director

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INTRODUCTION

In 1976 Congress directed the Advisory Commission on Intergovernmental Relations (ACIR) to prepare a major, multipart study of the American federal system. Consideration was to be given to the relative roles of the various levels of government, fiscal relationships among them in good and bad times, citizen participation practices, and the future well-being of the system.

The present ten-volume report on the national government's role in the system—of which this is Volume I—is part of ACIR's response to the broader study mandated by Congress in 1976. Other parts of the study are:

- *Citizen Participation in the American Federal System* (adopted by the Commission on March 23, 1979, with recommendations).
- *Stabilization Policy (Countercyclical Aid and Economic Stabilization)*, adopted in December 1978, with recommendations, Report A-69; and *State-Local Finances in Recession and Inflation*, completed in May 1979, no recommendations, Report A-70).
- *Comparative Fiscal Federalism: An Overview* and case studies of Australia, Canada, West Germany, and the United States (in process, no recommendations).

- *The Roles of State and Local Governments, Assignments of Functions* (in process, recommendations expected).
- *The Future of Federalism in the United States* (in process, no recommendations expected).

Perhaps the most noted characteristics about the federal government are: (1) its great growth since the 1930s; (2) its assumption of new roles for providing social benefits, managing the economy, protecting the environment, and pursuing other innovative goals—so that now it is involved in virtually every function of government; (3) the dramatic growth of the federal aid system in the past two decades; and (4) the mounting burden of federal regulations, paperwork, and intrusion into the activities of virtually every individual, business, nonprofit corporation, and state and local government.

These trends add up to a very real shift of governmental responsibilities in the United States—toward national government and away from state and local governments and private

power centers. This centralization tendency has placed the national government: (a) directly in charge of an increased proportion of the nation's gross national product, (b) in a position to affect an even larger proportion of the economy indirectly, and (c) at the center of a complex intergovernmental system that now makes almost all of the nation's 80,000 units of government interdependent.

This portion of the Congressionally mandated study—dealing with the national government's role in the federal system—measures these growth trends, probes some of the major reasons for the growth, examines the intergovernmental problems caused, and recommends policies to help overcome such problems.

This introductory volume is organized into three chapters. The first poses a set of key questions to be explored. The second presents a reasonably comprehensive set of indicators describing the various ways in which the growth of the federal government is manifested. Finally, the third delineates the approach taken in the full ten-volume report.

THE QUESTION OF FEDERALISM: KEY PROBLEMS

The Changing Context

The federal government unquestionably has grown bigger since its founding. It also has extended the breadth of its activities very substantially, and has become a larger influence on the daily lives of its citizens, businesses, and state and local governments.

Many view this growth with alarm. American concepts of liberty and personal freedoms traditionally have been translated into political principles like “the best government is the government which governs least,” or “the best government is the one closest to the people.”

When President Eisenhower called for the establishment of the Commission on Intergovernmental Relations (Kestnbaum Commission) in 1953, he did so in terms of his “deep concern for the well-being of our citizens and . . . our social rights” and to achieve “a sounder relationship between federal, state, and local governments.”¹ When that Commission submitted its final report in 1955, it noted the tremendous growth of the federal government even then, including its expansion into social and economic problem solving. The Kestnbaum Commission laid down the following basic principles for returning the nation to a sounder federal system:

Leave to private initiative all the functions that citizens can perform privately; use the level of government closest to the community for all public functions it can handle; utilize cooperative intergovernmental arrangements where appropriate to attain economical performance and popular approval; reserve national action for residual participation where state and local governments are not fully adequate, and for the continuing responsibilities that only the national government can undertake.²

Since 1955 the federal government has continued to grow in size, in the scope of its activities, and in the depth of its effects on individuals, businesses, and the lower levels of government. In fact, the growth has accelerated in many respects.

The period since about 1960 has been an era of dramatic, even drastic, change in American federalism. The key fact, in a host of fields, has been the emergence of the national government as an important—sometimes even the senior—partner in determining domestic policies, providing funds, and setting administrative standards. The resulting transformation in fiscal, administrative, and political arrangements has left no governmental jurisdiction, and very few citizens, untouched. The rate and magnitude of change has been so great over this period that some observers contend that an entirely new intergovernmental system has emerged.³

Regardless of the interpretations it is uncontestedly true that intergovernmental relations have become much more complicated and numerous than they were during the 1950s, or even ten years ago: “never has the maze of fiscal, functional, regulatory and administrative links between and among the federal government, the states, and all substate units been more complex, costly and convoluted than it is now.”⁴ This was a principal conclusion of the Advisory Commission on Intergovernmental Relations’ (ACIR) 14-volume study of the intergovernmental grant system published in 1977-78.

The scope and pace of change may be measured in many ways. Most dramatic, perhaps, has been the culmination of decades-old efforts

to establish a greater national role in such fields as education and health. At the same time entirely new areas of public concern have gained priority on the national political agenda and been dealt with by federal assistance programs: employment and training, environmental protection, community and regional development, food and nutrition, public safety, and others. To further these objectives the number of grant-in-aid programs has increased from about 160 in 1962, to 379 in 1967,⁵ and to 498 in 1978.⁶ Over this same period, federal aid outlays rose from \$7 billion in 1960 to \$85 billion.⁷

Federal regulatory activities also have soared. Beginning in the 1960s a wave of “new social regulation” established federal guidelines and requirements in such fields as environmental protection, employment discrimination, safety, and consumer protection.⁸ Many of these acts affect state and local governments as well as businesses and private citizens. One consequence is that grant-in-aid programs, including the more “flexible” forms, now carry with them a broad range of national policy conditions or across-the-board regulations dealing with these concerns.⁹

No less importantly, an “activist” Supreme Court has enunciated new Constitutional doctrines restricting state and local discretion (and often overturning long-established policies) in such fields as public education, criminal justice, voting and political representation, welfare, civil rights, health care, obscenity, housing, and employment. Like the other two branches of the federal government, the judiciary has contributed significantly to the “nationalization” of domestic social policy.¹⁰

The historical record also indicates that the legacy of these experiments in “creative federalism” and “new federalism” has not been the expanded sense of governmental partnership, political vitality, and far-reaching social progress which had been anticipated. On the contrary the tangible results have been far more meager than expected, and there has been a steady loss of confidence in public officials, agencies, and programs, as well as continual intergovernmental conflict. Indeed it is the view of many informed observers that American federalism (and other major political institutions) is now in serious disarray. Proposals

to reduce the scope and cost of government—never absent from the American political arena—have gained widespread attention and detailed scrutiny.

The national government has been the target of the most intense rebukes from experts, politicians, and the citizenry alike. Its size and performance were principal issues in the 1976 Presidential election—and these concerns have since grown even more urgent. None of the three levels enjoys much popular esteem, according to recent polls.¹¹ Given the intricate interlacing of responsibility for most major domestic services—producing an unresponsive system, according to some—it may be understandable that all governments have shared the recent criticism.

FOUR PROBLEMS

From an intergovernmental perspective four major areas of concern may be identified. Each raises questions about the federal role in the American federal system, and about the extensive network of assistance and regulatory programs through which the nation provides many of its most important public services. These four are:

- administrative failures, red tape, and tension between the levels of government—the problem of “implementation;”
- poor performance and inadequate results—the question of impact of “evaluation;”
- excessive cost and waste—the matter of fiscal “efficiency;” and
- lack of adequate control and responsiveness through the political process—the issue of “accountability.”

In simpler terms the contemporary problems of intergovernmental relations have fundamental administrative, programmatic, fiscal, and political dimensions.

The evolution of these four problem areas may be traced in the speeches of Presidents and candidates for that office; in the annals of the Congress; in statements by state and local officials; in the columns of thoughtful journalists; in past reports of this Commission, as well as of other research institutions; in the scholarly articles of political scientists, economists, and sociologists; and in opinion surveys. Some of

the clearest, and most serious, evidence is provided by the general public through various survey studies. The marked shifts in public opinion relating to governmental performance are summarized in *Figure I-1*, and are presented in more detail in *Volume II*.

Since the early 1960s, concern about the cost, effectiveness, and efficiency of governmental activity has risen sharply while trust in government has fallen off. According to the most recent surveys, 70% of the population believe that their income taxes are “too high,” and 80% think that government wastes “a lot” of tax money. Only 34% of the citizenry trusts government to do what is right at least “most of the time.” These negative appraisals are shared by many within government itself, and by leaders in other social institutions.

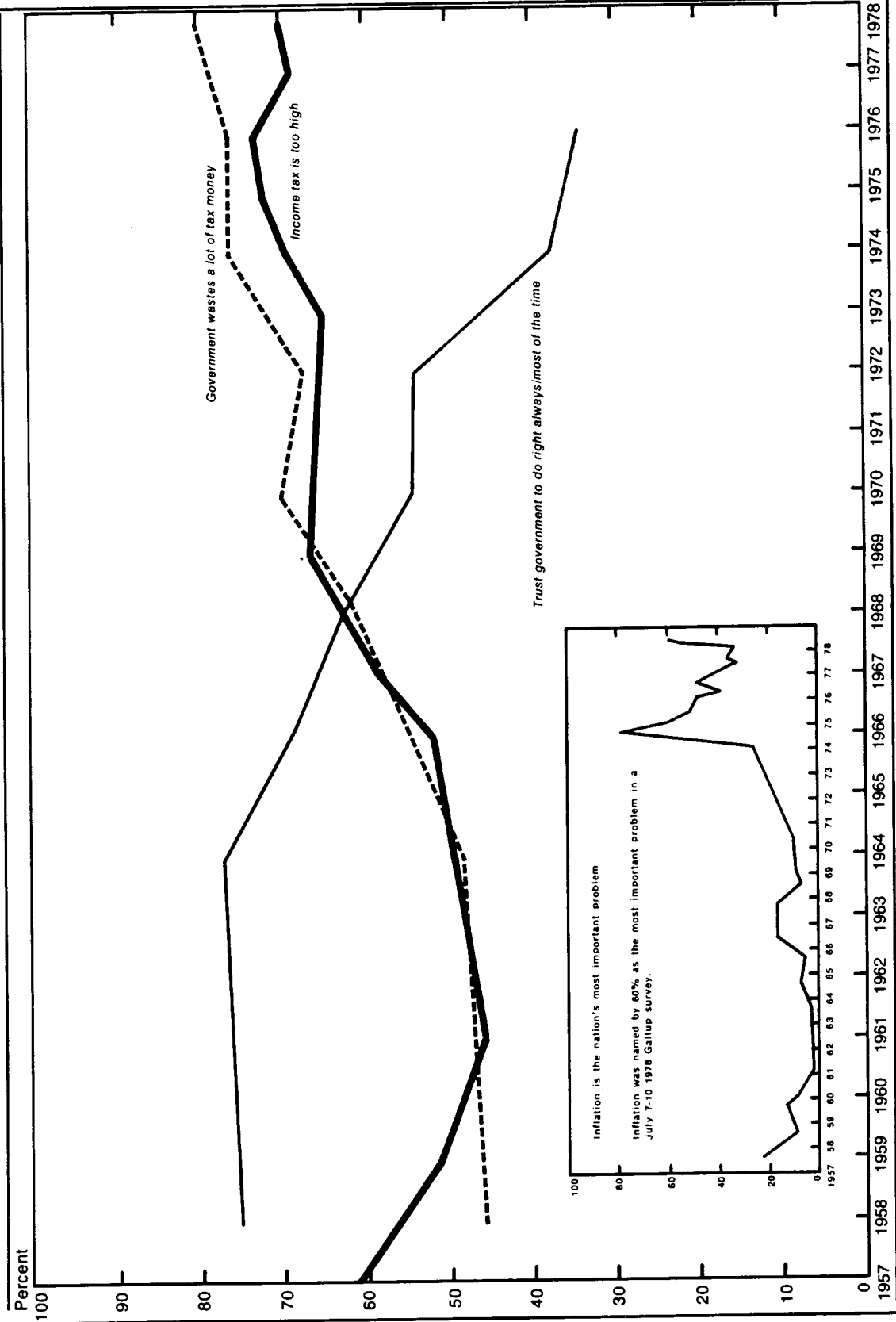
The testimony of the general public on these four aspects of governmental performance seems quite clear. Evidence from other sources, principally the writings of scholars and governmental analysts engaged in the study of public policy, is presented below.

“Red Tape,” Confusion, and Administrative Tension: The “Implementation Gap”

The most immediate consequence of the rapid expansion of federal activities in the 1960s was increased tension between administrative officials and political leaders at the three governmental levels. The “explosion” of new grant-in-aid programs—in part because of their newness and number, in part because of their inconsistencies and poor design—produced a “management muddle,” which was recognized as such by federal, state, and local officials. “Better coordination” became a watchword for reform. Repeated studies demonstrated the need for administrative clarification, standardization, and simplification.¹² Tensions were high, and events belied the common characterization of the emerging intergovernmental system as one of “partnership” or “cooperative federalism.” As Sen. Edmund Muskie (D-ME) observed in 1966, after a thorough Congressional review,

[We] found conflict between professional administrators at the federal level and less professional adminis-

Figure I-1. Public Assessments of Governmental Performance, 1957-1978



Source: *Public Opinion*, July/August 1978, p. 30.

trators at the state and local levels, between line agency officials and elected policymakers at all levels, between administrators of one aid program and those of another, between specialized middle-management officials and generalists in the top-management category, and between standpat bureau heads and innovators seeking to strengthen the decision-making process at all levels.

The picture . . . is one of too much tension and conflict rather than coordination and cooperation all along the line of administration—from top federal policymakers and administrators to the state and local professional administrators and elected officials.¹³

Mayors and Governors voiced urgent protests, seeking grant consolidation and administrative streamlining to ease their burdens. At the same time the inability to carry out properly complex, multilevel programs became a growing concern to federal policymakers and analysts. As Graham Allison, now the dean of Harvard University's Kennedy School of Government, has put it, the issue became one of "whether the U.S. government is capable of translating intentions into outcomes."¹⁴

This problem of "implementation"—bridging the gap between idea and execution—became a new focus for analytical research. Walter Williams and Richard F. Elmore have gone so far as to contend that:

. . . implementation problems in the social policy areas are the major substantive . . . hurdle to better programs in the future. . . . The greatest difficulty in devising better social programs is not determining what are reasonable policies on paper but finding the means for converting these policies into viable field operations that correspond reasonably well to original intentions.¹⁵

While implementation often is not straightforward even in programs administered directly by the national government,¹⁶ the difficulties are multiplied many times in the intergovernmental arena. Here the traditional administrative "hierarchy of command" breaks

down, owing to the political autonomy of state and local governments in the federal system. Separate administrative, personnel, and political systems are involved and—regardless of federal requirements, conditions, or even mandates—these jurisdictions are not simply administrative agents of the national government. Effective implementation thus requires a judicious balancing of fiscal and political incentives, coupled with an awareness of possible constraints at the recipient level. The Brookings Institution's Martha Derthick, perhaps the leading investigator of these questions, comments:

To achieve many of its domestic purposes . . . the federal government relies on local governments. However, because of the division of authority among governments in the federal system, the federal government cannot order these governments to do anything. It gets them to carry out its purposes by offering incentives in the form of aid, which they may or may not accept, and by attaching conditions to the aid. To achieve results, federal officials must have enough knowledge of local politics to perceive what incentives are necessary; they must supply the incentives in sufficient quantity; and they must direct the incentives to those holders of local power whose support is required to achieve the federal purpose. In short, they must intervene successfully in local politics.¹⁷

Under these demanding conditions, as Derthick's study of the failure of the "new towns in-town" program showed, implementation may be extremely difficult. Indeed the separation of responsibility inherent in intergovernmental programs "makes it hard for federal policymakers to know what must be done to achieve their objectives locally, and for administrators to bring federal resources, however scarce or plentiful, effectively to bear in local settings."¹⁸ Harvard's Jerome T. Murphy, who has examined other instances of implementation failure, agrees:

The federal system—with its dispersion of power and control—not only

permits but encourages the evasion and dilution of federal reform, making it nearly impossible for the federal administrator to impose program priorities; those not diluted by Congressional intervention, can be ignored during state and local implementation.¹⁹

Given the multiplicity and independence of the actors involved in many intergovernmental programs, it may well be "Amazing That Federal Programs Work At All," as is argued by the subtitle to one pioneering study.²⁰

Although this problem of implementation has been a preeminent management concern in recent years, the administrative tension caused by new national initiatives was noted a dozen years ago, as the earlier comment of Sen. Muskie indicates. Yet it still persists, despite repeated attempts since to cope with the management challenge. For each step forward—halting steps, in practice—new areas of concern have arisen. The welfare arena, an ancient problem, remains an "administrative nightmare" and a "legal swamp," according to experts in the field.²¹ Newer regulatory measures—in fields such as equal employment opportunity, equal services, benefits to the handicapped, environmental protection, and others—provoked similar criticism. Small towns now experience the same sort of management dilemmas once confined to major cities.²²

Recent reports prepared by the National Governors' Conference (now Association) identified the following contemporary administrative issues:

- Lack of coordination among federal departments or agencies limit the effectiveness of programs in addressing problems they were designed to solve and increases the administrative burden on the states.
- The federal executive branch has exceeded its proper authority in some areas, encroaching on matters which are in the proper jurisdiction of the states.
- Federal regulations are prescriptive in methodology rather than oriented toward end results.

- Excess reporting and paperwork requirements must be met by states participating in federal programs.
- Funding and program implementation held up by lengthy approval processes, absence of program guidelines, and other administrative practices causes serious dislocation and inequities at the state level.
- Lack of federal coordination and consistency in implementing indirect cost determination procedures creates continuing administrative confusion for states.²³

A similar catalog of red tape and administrative shortcomings is provided in the 1977 reports of the Commission on Federal Paperwork.²⁴

One result of this continuing administrative conflict and frustration is that federal and state-local officials now view each other more as adversaries rather than as partners. "Cooperative federalism," some say, has degenerated into a "paranoid partnership" of conflict between two levels: "them" and "us." Note the following assessments of tension in the fields of higher education, welfare, health, food stamps, and environmental protection:

Environment

[N]ow there is a difference in the kind as well as the degree of federal control. Whereas past policy reflected a sort of "cooperative federalism" consisting in some national but also considerable state authority, that of the present underscores "federal" and, as one might expect, is distinctly uncooperative. Pollution policy is national policy, and the states are little more than reluctant minions mandated to do the dirty work—to implement federal directives often distasteful at the local level.²⁵

Health

In the early years of the program, Medicaid was clearly a state program with federal support. Little control was exerted by the federal agencies, other than what was required by statutes In effect, as Medicaid matured, it became a federal program, but the states continue to believe they have sovereignty. The situation has created

a wide gap in expectations and an adversary relationship between the federal agency and the states.²⁶

Higher Education

Already underway is a painful and wrenching change in the relationship between the American research university and the federal government. . . . The great postwar partnership between them turned sour after 1968. The relationship between them that has since emerged is in part almost adversary. The new American university cannot afford either the embrace with the federal government that characterized the decades of affluence, or open hostility between itself and government. Required are the terms of a new partnership, more distant than that of 20 years ago, less abrasive and potentially sterile than that of the present.²⁷

Welfare

Welfare is virtually a policy area under seige. The welfare system works to the satisfaction of no one. . . . [It] has become the Guadalcanal of American politics.²⁸

Food Stamps

In October 1975, the U.S. Treasury Department released a special report. Illinois had the highest error rate in eligibility determination (51.5%) for the Food Stamp Program of any state in the country. When asked to comment, James L. Trainor, director of the Illinois Department of Public Aid which administers the program, said:

I'm afraid the only response that I can make is in four letter words. It's a lot of nonsense, but nothing the USDA (United States Department of Agriculture) or the Feds do on this surprises me anymore.

He added that the reporting requirements are "mickey mouse and stupid" and make it impossible to run an "effective program."²⁹

Inadequate Results: Evaluation Issues

During the 1970s the question of program effectiveness joined and even superseded the administrative challenge as a concern of inter-governmental policymakers. In field after field the results of new federal-state-local assistance and regulatory programs have fallen well short of initial expectations. Despite the infusion of new funds and programs, many social and economic problems remain, and indeed now seem to many as intractable. As Charles L. Schultze, now the chairman of the President's Council of Economic Advisers, has written:

There is a growing body of objective evidence that government is not performing its new tasks effectively. The counter-productivity of governmental regulation of transportation is well documented. Efforts to improve the environment, while far from a failure, are unnecessarily expensive and increasingly bogged down in Rube Goldberg regulations, legal snarls, and games between regulators and industry as enforcement deadlines draw near. While Medicare and Medicaid have improved access to health care for the poor and the aged, government attempts to deal with rapidly escalating health costs have produced only burgeoning volumes of regulations and no results. Professional evaluations of manpower training, work experience, and related federal job programs usually find that their payoffs are low. Although the compilation of absurdities perpetrated in the name of industrial safety often emanates from suspect sources—the industries being regulated—even the sympathetic observer finds it hard to recognize many of the regulations as anything but absurdities.³⁰

The "objective evidence" to which Schultze refers is provided by the very substantial number of evaluative studies prepared by social science "think tanks," consulting firms, and federal agencies. These have introduced complex and rigorous analytical techniques into the political debate surrounding many

programs. The effect has been largely discouraging: by far the most common findings have been "no effect" or "nothing works."³¹ This has undercut the pragmatic consensus on which many of the new national programs rested. In the field of education, for example, one recent Rand Corporation study of federally sponsored innovations concluded that these:

... efforts to stimulate education change have been disappointing. Although evaluators of federal programs may disagree about questions of evidence and measurement, no analyst seriously contends that these programs have produced the massive improvement in student achievement or other student outcomes that were forecast during more optimistic times. The track record casts doubt about the effectiveness of federal intervention in reforming elementary and secondary education and about the wisdom of any continuing federal role.³²

Such skepticism may be counterbalanced by noting desirable side effects: few governmental programs lack benefits (or beneficiaries), regardless of whether they accomplish their stated objectives, and the latter often are unclear. But repeated negative findings do at least suggest a serious need for "rethinking" and "reorienting" federal involvement, as Berman and McLaughlin concluded in this assessment of education programs.³³

Much the same might be said of recent federal efforts in regional development, employment training, crime prevention, health care delivery, comprehensive planning, new communities, mental health, or urban development. In each of these fields and others, negative performance audits suggest to critics that federal intervention has proven to be unwarranted or even undesirable. This constitutes a major shift in expert opinion, because a dozen years ago it was widely believed that an infusion of federal dollars in such fields would result in substantial social progress.³⁴

Neither the "war on poverty" nor the "war" on urban problems—the two principal foci of the intergovernmental policies initiated in the 1960s—realized their principal goals. The anti-poverty effort, begun in 1964, anticipated the

eradication of poverty by 1976 and adopted that specific objective.³⁵ In fact by some measures, real economic poverty has been eliminated substantially, although the distribution of personal incomes is still very unequal. As Robert H. Haveman, the former director of the Institute for Research on Poverty, observed, "fewer than 5% of the nation's households remain in income poverty when the value of in-kind transfers is taken into account."³⁶

Yet this "success" has been realized largely through the expansion of income transfer programs (such as Aid to Families with Dependent Children (AFDC), food stamps, and Medicaid) most of which were unplanned and largely unintentional. The "enrichment" strategy that the poverty warriors devised, aimed at making the poor employable and fully productive participants in the economic mainstream, has proven less successful.³⁷ Henry M. Levin has observed that the Great Society programs:

... were predicated on the view that the poor are poor because of their low productivities resulting from personal incompetencies. By providing more education and training it was hoped to raise competencies, productivities, and earnings of the impoverished.³⁸

Yet his review of research findings regarding more than 30 separate federal job training and education programs initiated during the anti-poverty decade indicates that "their effect on the reduction of poverty was minimal."³⁹

The reduction in the poverty population has been purchased instead by a substantial increase in federal (and state) transfer payments and much higher, rather than reduced, welfare rolls. Cash payments to the poor (such as AFDC) grew very rapidly in the 1960s and early 1970s, but even more important was the expansion of in-kind transfers such as food stamps and Medicaid. Between 1965 and 1975 cash assistance expenditures targeted primarily on the poor rose four-fold, but in-kind benefits grew 16-fold, from \$2.3 billion to \$37.9 billion.⁴⁰ The haphazard expansion of this ill-coordinated set of programs has left many inequities and deficiencies, however, and the potential of still greater costs. President Carter's proposed "Better Jobs and Income Act" contemplates additional federal outlays after

1982 estimated at between \$8.77 billion and \$17.2 billion annually.⁴¹

The attempt to revitalize urban areas, also launched with great fanfare a dozen years ago, has not prevented a continuing sense of "crisis" in our central cities. President Johnson proclaimed that 1966 could be the year that "set in motion forces of change in great urban areas which will make them the masterpieces of our civilization."⁴² But many contemporary assessments find little evidence of success. On the contrary, in the opinion of urbanist Louis H. Massotti:

... urban policy in America, by and large, has been designed to be therapeutic, i.e., to treat the symptoms of the urban malaise rather than to uncover its fundamental causes and to engage in preventive action. It is clear that, since the rediscovery of the urban crisis in the early 1960s, our approach has been to develop more programs, create more bureaucracy, and spend more money in an effort to stem the tide of urban decay; and most of this behavior was a political response to pressure from the cities and their advocates. For the most part the result of all this activity has been to develop a programmatic, bureaucratic, institutionalized failure. In general, the cities and their residents are less well off than they were before the flurry of urban policies. Those policies have been ineffective and inefficient in pursuit of the ostensible goals—the improvement of the quality of urban lives and the support of cities as economic entities.⁴³

Massotti has expressed concern that distressed cities, like poor individuals, show signs of growing fiscal "dependency" on a steady infusion of federal urban action funds.⁴⁴ Anthony Downs, a noted urban analyst at the Brookings Institution, agrees. Downs believes that "federal place-oriented spending is vital to the solvency of most central-city governments, and its importance is rising. . . . Given these conditions, the idea that central-city governments can soon—or ever—become economically self-sufficient is absurd."⁴⁵

Ironically the growth in federal-urban expenditures after the mid-1960s may actually have contributed to the fiscal crisis in some older central cities. George E. Peterson, a public finance specialist with the Urban Institute, points out that intergovernmental aid played a major role in fueling the expenditure growth of old industrial cities in the period 1965–73. This fiscal stimulation brought these communities to a "high-spending plateau," leaving them vulnerable to a slowdown in aid growth and the economic recession. In 1975 these twin forces were a source of genuine "fiscal crisis."⁴⁶

Such critical assessments of federal efforts in antipoverty and urban policy, as well as in other fields, together with everyday perceptions of continuing social problems, have produced a marked shift in the nation's mood. The "simple faiths of the early 1960s" clearly have substantially eroded.⁴⁷ Henry J. Aaron, a Brookings Institution economist and recent U.S. Department of Health, Education, and Welfare (HEW) assistant secretary, has observed:

If a modern day Rip Van Winkle had fallen asleep in the United States in 1965 and awakened in 1976, he would have observed a striking change in the national mood. A country that in 1965 had seemed confident of its military strength and purposeful in its missions abroad, that was embarked on a series of efforts to solve problems that had long troubled a newly ascendant majority of the American people and was dealing at last with a shadowed legacy of racial discrimination, seemed to be moving forward with resolve. But by 1976, Americans, divided and uncertain about what to do abroad and fearful of military inferiority, had become equally despairing of their capacity to deal affirmatively with domestic problems. At every turn Rip Van Winkle would encounter lamentations about the failure of all national efforts to reduce inequality and eliminate poverty, to improve schools, to reduce unemployment and its hardships; he would find a sense that not only had past efforts failed, but

future ones were also doomed by the incapacity of the government to act effectively.⁴⁸

Evaluative research itself might be chalked up as one more black mark on this record of policy innovation. Very few programs have ever been terminated as a result of negative findings.⁴⁹ In this respect evaluation seems to be a paper tiger. Furthermore it was expected that demonstration projects and evaluation studies would be the basis of an "experimental" approach to policy development and, like laboratory experiments in the natural sciences, add significantly to social understanding.⁵⁰ But in practice knowledge of what fails has greatly outstripped knowledge of what works. The experience of the past decade has demonstrated, as Alice M. Rivlin (now the director of the Congressional Budget Office) has observed, that "little is known about how to produce more effective health, education, and other social services."⁵¹ Similarly William Gorham, the president of the Urban Institute, and Harvard sociologist Nathan Glazer indicated in 1976 that there was then:

... less consensus on the ultimate causes of many serious urban problems, and even less consensus on the measures that would ameliorate them, than there was in 1966, or in 1956. Confidence in our ability to frame solutions has declined as understanding of problems has grown.⁵²

While these critical assessments are widespread, some social policy analysts—Henry J. Aaron, Sar A. Levitan, and Robert Taggart, among them—believe that they are overgeneralized. Partial successes, these experts argue, have been more numerous than usually has been recognized. Aaron cautions that the "global view" of the critics of federal social programs:

... is partly right and partly wrong, partly clear-sighted and partly distorted. On the one hand, critics of federal red tape and regulations can point justifiably to the multiplicity of small grants-in-aid through which Congress has attempted to compel state and local governments to do its detailed

bidding in education, health, and other fields, and to futile efforts to regulate the behavior of millions of businesses, individuals, and government entities. On the other hand, legislation enacted in the past decade has strengthened the system of cash assistance and in-kind benefits for temporarily or permanently needy households. Even where administratively cumbersome techniques have been used—as, for example, to limit pollution and slow environmental degradation—significant improvements can be noted. Strains in these systems have appeared, but in all cases they can be remedied by revisions or reform of existing programs. A balanced judgment of Great Society legislation would have to be mixed.⁵³

Levitan and Taggart enumerate the achievements of social policy which, when weighed accurately against more realistic standards than many critics employ, seem to them to override the recognized shortcomings. "The fundamental issue," they add,

... is the choice of the null hypothesis. Are we as a nation to assume that efforts meeting recognized and critical needs are worthwhile unless proven otherwise, or must there be unimpeachable evidence that they are successful before they can be accepted? The choice of perspectives is fundamentally political and normative. It has been demonstrated that social welfare programs substantially improve the well-being of most beneficiaries and that retrenchment does have serious repercussions. It has been demonstrated also that the negative spillovers and costs of the Great Society's initiatives have been overrated. It remains, however, a matter of judgment whether the consequences of erring on the side of generosity are considered more serious than results of erring on the side of parsimony.⁵⁴

Still others take the view that apparent policy failures actually reflect the half-hearted

commitment to most social programs, as measured by expenditures or the "incremental" nature of typical reforms. Sociologists Berk and Rossi state this position:

[T]he intractability of social problems in the face of what appears to be all-out efforts at reform may merely reflect the timidity of policymakers. The almost consistent finding of evaluation researchers that programs work weakly, if at all, may bolster a view that social problems are considerably more intractable to ameliorative efforts than in fact may be the case were bolder programs enacted.⁵⁵

Yet whether the cup is half empty or half full, and whether greater efforts, especially fiscal, might have been more effective, the gap between expectation and results remains. Even Levitan and Taggart concede that:

... the most pervasive shortcoming of the Great Society was its underestimation of the scale of domestic problems and the distance to be covered in providing even minimally for the welfare of all citizens. More was promised than could be delivered, and the failure to achieve overly ambitious goals obscured the substantial progress which was being made.⁵⁶

This fact, perhaps more than any other, has spurred the present analytic reassessment of federal domestic programs.

Excessive Cost and Fiscal Inefficiency

Rising costs are a third aspect of the current controversy over the federal role. Indeed in the wake of the June 1978 "Proposition 13 tax revolt" and the nationwide reaction that it sparked, this appeared to be the principal component. Numerous proposals have been advanced to constrain federal, as well as state and local, taxation and expenditures. Figure I-1 illustrates the high level of public opposition to their federal income tax payments. This clearly is a potent political issue.

At the same time—and as Figure I-1 again reveals—concern about the costs of government parallels a growing dissatisfaction with

governmental performance. One aspect of this—the inadequate results obtained in many social and urban programs—already has been discussed. Another important consideration is the belief that government has become very inefficient, that administrative waste is excessive. In addition the cost issue appears to be associated with perceived inequities in the tax system and the problem of inflation.

Total governmental expenditures have risen from \$131 billion in 1959 to an estimated \$685 billion in 1978, or by a factor of more than five times. If adjustments are made for the growth of the economy and population and changes in the cost of living, this increase appears more modest but it is still substantial. As a percentage of the Gross National Product, the hike was from 26.9% to 32.5%. On a per capita basis and in constant dollars, a jump from \$844 to \$1,604 occurred—almost a doubling.⁵⁷

More striking still is the increase in federal domestic expenditures (including inter-governmental programs) over this period, up from 7.7% of GNP to 15.1%.⁵⁸ On a per capita and constant dollar basis, the rise was more than three-fold, from \$241 to \$748.

Taxes also have risen during this period. The total direct tax burden (federal, state, and local) on the average family rose from 11.8% of family income in 1953, to 17.8% in 1966, to 22.5% in 1977.⁵⁹ Changes in federal personal income tax liabilities contributed only modestly to this increase over the past ten years, however; the lion's share was accounted for by Social Security and state-local property, income, and sales tax increases.

The rising cost of government, therefore, has become a major concern, for both economic and political reasons. President Carter believes that federal expenditures have grown too large in relation to the economy, and he seeks to reduce governmental outlays to about 21% of the GNP, roughly the level which prevailed during 1968-74.⁶⁰ Many analysts—not just fiscal conservatives—have come to believe that excessive governmental spending and taxation hamper national economic performance by stimulating inflation and reducing the incentives to work and invest. The economic historian Robert L. Heilbroner, for example, argues that "the effect of the growing size and scope of government policy has been to set the stage for

an inflationary propensity where no such tendency had existed previously." Government spending, he says, generates inflation "because the political motivation behind it has a stubborn inertia that contrasts with the more volatile spending behavior of the private sector."⁶¹

Yet levels of spending and taxation, although important in and of themselves, do not seem to be the principal causes of recent public protests. Survey studies of public opinion indicate that fiscal waste or inefficiency is a greater concern than big budgets and high taxes. According to a recent *Washington Post* survey, for example, seven of every eight citizens believe that "the way local, state, and federal governments use . . . tax money" is a greater problem than "the amount of local, state, and federal taxes" paid.⁶² Other polls reveal that there is a very widespread belief that the nation is not receiving its "money's worth" from its substantial and steadily rising governmental outlays. The proportion of the population believing that "government wastes a lot of tax money" has risen from 46% in 1958 to 80% today (see Figure I-1). The federal government is identified as the "biggest waster" of tax funds by 67% of the populace.⁶³

These survey studies, moreover, continue to show—as they have for many years—that the citizenry desires greater, rather than reduced, expenditures in many domestic fields. The public thus seems willing to support a public sector of considerable size if it feels that an adequate return is received on every dollar spent.

In short many citizens seem to accept the view of governmental spending and taxation once enunciated by President Johnson:

[S]pending by the federal government, in and of itself, is neither bad nor good. It can be bad when it involves overstaffing of government agencies, or needless duplication of functions or poor management, or public services which cost more than they are worth, or the intrusion of government into areas where it does not belong. It can be good when it is put to work efficiently in the interests of our national strength, economic progress, and human compassion.⁶⁴

The problem is that spending of the former character is believed by more and more citizens, political leaders, and expert observers to have substantially outstripped the latter.

A second source of popular discontentment lies in the belief that the tax burden is not apportioned fairly. Taxpayer's groups and public officials alike trade charges that federal taxes are inequitable; President Carter has termed the national income tax a "disgrace." A Roper poll conducted in May 1978, found that the public regarded tax rate reform as far more important than tax reduction. Burns Roper concluded:

In the view of the American public, the major problem with the federal income tax system in this country is its unfairness. . . . A growing majority sees middle income families as overtaxed, while upper income people and large businesses are seen as undertaxed. . . . The public places high priority on tax reform to make the system fairer.⁶⁵

In fact shifts in the tax burden have borne down heavily on middle income families. Between 1953–77 the tax payments of average income families rose from 11.8% of family income to 22.7%, an increase of 92%. During this same period the taxes of above-average income families rose from 16.5% to 24.8%, just a 50% hike. High income families fared even better.⁶⁶ Overall the tax system now is considerably less progressive than it was in the past.

Protests about the rising costs of government also appear to be connected intimately with concern about inflation, for which the government is thought to bear the brunt of responsibility. Figure I-1 points up the fairly close correspondence between public concern over inflation and taxes: in the early 1960s, both were comparatively low, and both have risen in the period since. Shortly after the California Proposition 13 tax revolt, 60% of a nationwide sample described inflation as the nation's most important problem.⁶⁷

This has led political commentator Robert D. Novak to suggest that the current criticism of the federal government is largely divorced from traditional liberal-conservative ideological considerations. Instead, he believes

. . . the key point is that today's Ameri-

can be obsessed with his inability to cope with cancerous inflation, which is reducing his standard of living today and threatens far worse in the future.⁶⁸

Furthermore, as Novak adds, government is widely regarded as "part of the problem instead of the solution" on the inflation issue. Fifty-one percent believe that the government is responsible for the nation's economic troubles, while business and labor are blamed by only 16% and 33%, respectively.⁶⁹

Many professional economists share this assessment. Barry Bosworth, when director of the U.S. Council on Wage and Price Stability, stated that "government itself has become a major source of inflationary pressures, particularly in the last decade." Federal taxes and regulatory policies add to living costs, as does an increasing variety of "special interest legislation," including trade restrictions and price supports.⁷⁰

Although the concern about governmental costs and inefficiency certainly extends to many matters that are wholly internal to each of the governmental levels, this issue obviously has a major intergovernmental dimension as well. Grants-in-aid (along with Social Security benefits) have been among the fastest growing components of federal outlays.⁷¹ Furthermore, although fully accurate and objective data are difficult to obtain, there is reason to believe that costs in some intergovernmental programs are excessive.

As ACIR has emphasized in numerous reports, one major problem stems from the sheer number of specific-purpose or categorical grants. The proliferation of programs serving similar objectives and the extraordinary specificity of numerous program efforts, all in the same functional area and each with its own administrative requirements and procedures, results in unnecessary duplication of effort in applications, operations, and audits. These costs are borne to varying degrees by governments at each level. This example was provided by a General Accounting Office (GAO) report:

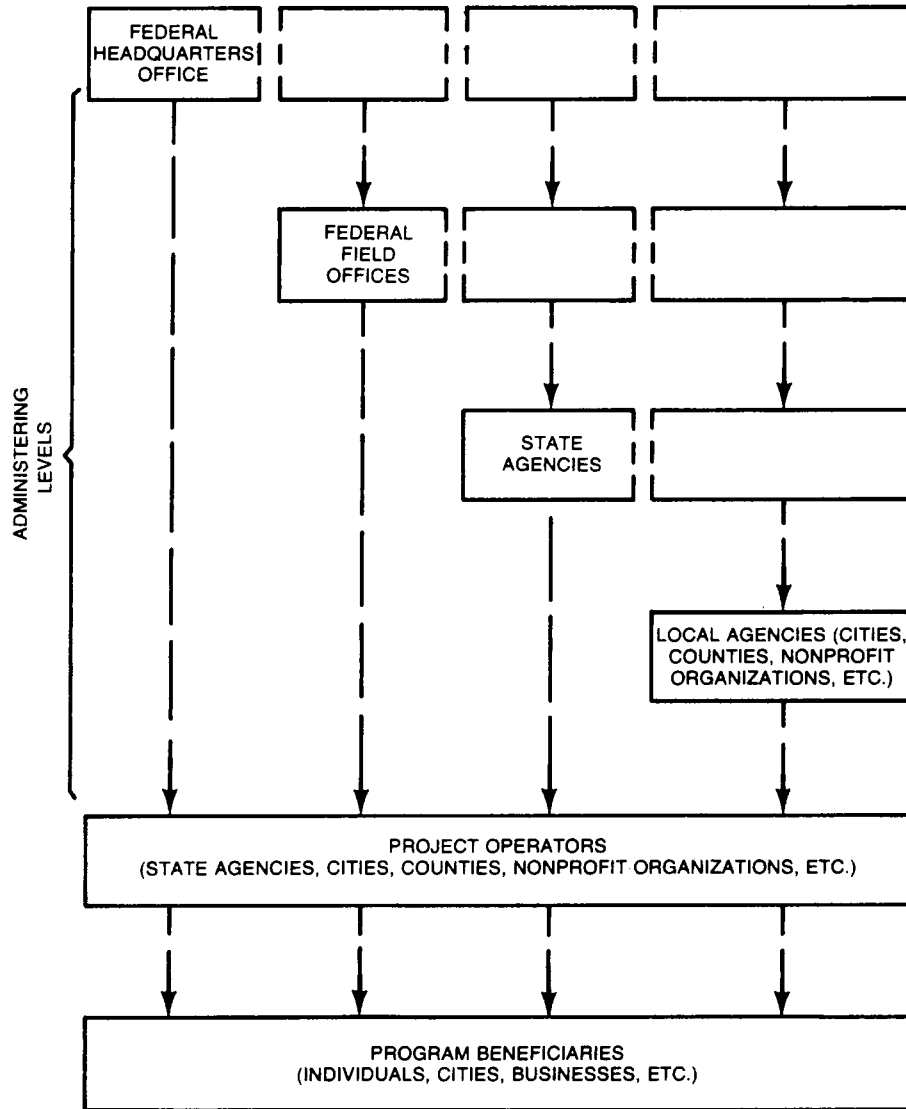
Multiple funding sources and various administering agencies also exist for programs providing funds for family planning services. Within HEW,

these programs are fragmented among four separate organizational units. Each program (1) involves different federal-state sharing arrangements, different eligibility requirements, and different degrees of federal administration; and (2) operates autonomously with little coordination between the organizational units. The lack of a centralized organizational structure causes increased administrative costs and duplicate or overlapping services. For example, under one program \$490,000 was awarded to a hospital district to provide countywide family planning services. Within the same county, about \$550,000 under another program was awarded to two different organizations to provide similar family planning services to recipients of Aid to Families with Dependent Children. One of these two organizations also provided family planning services under a \$242,000 grant from the same program funding the hospital district.⁷²

The same report also described an early childhood education project operated by a local school district, with funds provided from four separate federal agencies and programs, as well as state and local sources. Each program had differing guidelines, objectives, grant periods, and administrative procedures and controls.⁷³

Much of this extra administrative expense is unnecessary, and could be eliminated if more grant programs were consolidated, standardized, and decentralized. The merger of seven older categorical programs into the community development block grant has realized a number of management economies. Regulations governing the first year of the program were reduced from 2,600 pages in the *Federal Register* to a mere 25 pages. Entitlement applications were shortened to about 50 pages—far below the average 1,400-page application filed annually for their earlier categorical programs. As a result, application costs in staff time and dollars were reduced considerably.⁷⁴ Although pressures for "recategorization" have appeared in many block grants, grant consolidation and "blocking" still are de-

Figure I-2. Administrative Levels Used in Providing Assistance to Program Beneficiaries



Source: Comptroller General of the United States, *The Federal Government Should But Doesn't Know the Cost of Administering Its Assistance Programs*, GGD-77-87, Washington, DC, U.S. General Accounting Office, 1978, p. 3.

sirable reforms in a great many program areas.

The multiple layers of bureaucracy in intergovernmental programs—involving, in some instances, processing at the national, regional, state, substate, and local recipient levels—may incur large and perhaps needless administrative costs. Figure I-2 illustrates the complexities which can occur. Unfortunately not enough is known about administrative expenses in grant-in-aid programs. However a recent study by GAO of 72 programs found administrative costs above the project operator level ranging from 0.3% of available funds (for public assistance) to 28.5% (for water supply research grants).⁷⁵ State and local paperwork costs, according to a study prepared for the Commission on Federal Paperwork, seem to range from about 1% to 10% of total assistance program outlays, but generally are concentrated in the 5-7% range. Altogether these may total to about \$5 billion a year. Other administrative costs, of course, are passed on to private individuals and businesses. If these are included, “the federal paperwork burden may approach 50% of some program budgets,” according to the study.⁷⁶

The complexity of intergovernmental arrangements in some fields tends to limit both the incentive and the capacity to root out errors, fraud, and other forms of maladministration. A recent study of the troubled Food Stamp Program in Illinois by political scientist Phillip M. Gregg stressed this issue. Illinois has had an error rate of 51.5% in eligibility determination, the highest in the nation, and recent estimates suggest that recipients obtain up to 15% of their food coupons illegally, at a cost to the national government of \$25 million annually. Gregg writes:

These are the problems of intergovernmental administration. The Food Stamp Program is a national program that states administer. Congress and the U.S. Department of Agriculture establish and revise extensive rules, regulations, and instructions to control and monitor the states' administration of benefits. Much of what the press calls the “food stamp mess” originates in the intergovernmental arrangements.⁷⁷

Gregg points out in particular that the federal government reaps the fiscal returns from any improvements in program administration, while state officials bear the costs. This makes it “very difficult for state administrators to justify spending more of their bitterly contested tax dollars to upgrade a program of the national government.”⁷⁸

The root problem, then, is that, in intergovernmental programs, no level bears full administrative responsibility for the use of public funds. Fiscal accountability is divided and confused. As a consequence it is widely believed that local officials “gold plate” their federal grant applications and are willing to incur costs that would be unacceptable if they were wholly financed from local tax revenues. Similarly federal officials can not really be held responsible for the uses made of funds by lower levels of government, as they can in the federal government's own direct activities.

Ironically there is some evidence that both federal and local officials regard their counterparts at the other level as wasteful of public funds. Political scientist Jeffrey L. Pressman describes the “image” that local officials in the Oakland area have of Washington bureaucrats:

A veteran local official observed that “the feds are concerned that the money is spent at the proper rate. This is a shift—to a concern with spending money. This is a reversal of roles for us; we're normally concerned with saving money.” Another local executive expanded on this theme, contrasting federal and local attitudes toward spending: “It's a whole shift of philosophy for our more traditional guys. As you know, we have a severe financial crisis in the city. We've had to watch every dime. Now along comes a federal agency and says (spend)—you're not spending enough, you're not spending fast enough. It's a real clash of philosophies.”

An exasperated city councilman, to whom the federal government often appeared to be giving away money for no particular purpose, registered his opposition: “Money should not be given out—it should be creative. In private business, you don't dole out

money just to dole it out. You might give it away for tax deductions, but the government doesn't need tax deductions." In contrast to their high-spending federal counterparts, locals see themselves as people who know the value of a dollar and the importance of thrift.⁷⁹

At the same time the federal administrators interviewed by Pressman regarded local officials as more interested in hustling aid than dealing with serious urban problems:

Federal officials see their local counterparts as desiring infusions of federal dollars. A federal project operator declared: "Every city official I've talked to is concerned with money—the more the better. The only limiting factor is the tax rate—they can't come up with the local share." But a desire for federal dollars is not, federal officials say, necessarily linked to enthusiasm for operating programs and solving problems. "As a rule," said one federal representative, "I don't think that city managers and certainly city councils are interested in problem solving. But they want money and they don't want to take the heat of raising it themselves."⁸⁰

Although this fragmentation of administrative responsibility among programs, agencies, and governmental levels may be a principal source of fiscal inefficiency in grant-in-aid programs, critics have identified many others. The allocation of grant funds among states and localities is another cause for concern. Few programs are effectively "targeted" to the most needy jurisdictions, as measured either in terms of fiscal capacity or substandard public services. Instead, the overall pattern of grant outlays appears almost random, and in the past ten years the higher income states have actually tended to receive somewhat greater per capita grants than middle and even lower income states. Critics—President Carter among them—charge that political pressures, rather than national needs, too often determine how grants-in-aid are distributed.⁸¹ The result is that scarce resources are wasted.

A variety of fiscal problems are associated with particular types of grant programs. The "open-ended" provisions of some of the major social welfare programs (AFDC, Medicaid, social services) resulted in explosive cost increases that were virtually uncontrollable by the President or Congress.⁸² State and local governments also have experienced difficulty constraining costs in some of these areas.⁸³ Federal costs for Medicaid—originally estimated at just \$238 million annually—have risen to an estimated \$12 billion in FY 1979, while the social services program—initially intended to help cut welfare rolls—became instead a form of "back door revenue sharing," until a statutory ceiling was imposed in 1972.

The major capital grant programs (for the construction of mass transit, hospitals, and waste treatment facilities) may be inherently inefficient. They seem to encourage excessive capital spending, which the national government aids, and lower outlays for maintenance and operations, the costs of which are borne chiefly by local taxpayers.⁸⁴

Critics also charge that many social programs deal with matters that are not truly of national concern. Charles L. Schultze believes that many categorical grants:

... probably serve no major national purpose but simply reflect the substitution of the judgment of federal legislators and agency officials for that of state and local officials about what specific local services should be available. No one can say, *a priori*, who is the wiser. But there seems little reason not to leave this kind of judgment to state or local officials, who are much closer to the people being served, and much merit in consolidating these numerous grants into a few broad groups supporting the delivery of educational and social services at the state and local level, with discretion for the precise allocation of funds left to the recipient government.⁸⁵

Thus the fiscal dimension of the current controversy regarding the federal government's domestic and intergovernmental role has multiple aspects. It is concerned in part, but only in part, with the size of the public sector.

Equally important are questions of economic efficiency—the value obtained for each dollar spent. For a variety of reasons, the efficiency of many intergovernmental programs appears to be too low. Questions of governmental cost also are related intimately to the problem of inflation and to the manner in which the tax burden is allocated.

As in other areas, of course, not all analysts accept the critics' charges of excessive cost and waste. First, it may be noted that total public expenditures in the United States still are rather low in comparison to those of many other economically advanced democracies.⁸⁶ This nation, many believe, can well afford an even higher level of public services and social welfare programs. Other observers believe that the charges of inefficiency are greatly exaggerated. High costs, they believe, have been confused with excessive waste.

Responsiveness and Accountability

A fourth aspect of the controversy regarding the status of American federalism concerns the effectiveness of the representative process itself. Many concerned critics believe that there has been a substantial weakening in the responsiveness of government and its accountability to the public at large. Government, they believe is growing—or has grown—out of effective democratic control.

This problem is perhaps less inter-governmental than supragovernmental. Although each governmental level is affected to some degree, the problems do not arise wholly from shared programs. Yet the issue is quite intimately connected with questions of federalism, the transformation of federal responsibilities in recent decades, and the resulting increasing complexity of the system.

One psychological dimension of this issue is revealed in Figure I-1, as well as other opinion poll results. Contemporary public opinion is characterized by high levels of political alienation. The percentage of the citizenry that believes that it can trust the government to "do what is right" fell from a high of 77% in 1964 to 34% in 1976. Other polls show a substantial increase in the belief that public leaders are indifferent to the welfare of the citizenry and that they lack competence.⁸⁷ All in all the popular

verdict is a vote of "no confidence" in recent political leadership.

This criticism applies, it should be noted, principally to the governmental elite, rather than to governmental institutions. Most citizens still believe that the "system" could be made to work if better leaders are found.⁸⁸ Despite rampant dissatisfaction, basic democratic values still remain fundamentally unshaken.

Secondly, it also seems plain that much of the public is quite uncomfortable with the gigantic governmental apparatus that has been erected in Washington. Although most of the citizenry has actively supported federal intervention in major domestic problem areas, many also adhere to traditional American beliefs regarding limited government and individual self-reliance. In this respect there seems to be a conflict between values at the operational level of day-to-day politics and the ideological level of fundamental values.⁸⁹ In the past such philosophical doubts were set aside in the name of pragmatism and national needs, but the gap now seems too wide. This point has been stressed by Edward K. Hamilton, the former deputy mayor of New York City, who believes that "the more durable part of the deep malaise now evident in popular attitudes toward government probably represents the price of sustained incrementalism" in the piling up of programs onto programs.⁹⁰ He observes that:

The net legacy of these fits and starts is a federal "system" that bears little relation to the pre-1935 model or, more importantly, to the model that most Americans carry around in their heads. . . . The more thoughtful have long since abandoned hope for simplicity, an inevitable casualty of industrialization. There is, however, a yearning, as yet unfulfilled, for some set of consistent principles that can at the same time order the meshing of governmental fiefs and provide a rationale for their future evolution that promises to bear some reasonable relation to real prospects rather than to empty exercises in nostalgia.⁹¹

A third related point is that many citizens seem to believe that the processes of governmental expansion have acquired a momen-

tum of their own, an inner dynamism that has little regard for the general welfare. The government appears unresponsive to the needs and concerns of ordinary citizens and taxpayers. Public authority is thought to have been vested in self-serving minorities—"special interest groups" and their supporters in the bureaucracy and Congress. Thus the public sector takes on the guise of a beast that must be caged, rather than a workhorse to be led.

Political sociologists Seymour Martin Lipset and William Schneider believe that these questions of responsiveness and accountability lie at the heart of the present political discontent. "What bothers the public," they have concluded, "is the apparent growth of concentrations of power and the seemingly cynical, self-interested abuse of that power by those at the summits of government, labor, and business."⁹² Wisely or not, unsatisfactory social, economic, and political conditions have been blamed on self-seeking behavior by public officials and leaders in the private sector.

Political scientist Walter Dean Burnham agrees with this assessment and has attributed the Democratic nomination of Jimmy Carter to this fundamental concern. Following the governmental expansion of the New Deal, the Cold War, and especially the Great Society, Burnham says,

... the middle-American man in the street, in quite unprecedented numbers and intensity, came to see himself as victimized by the poor and their elite patrons, and victimized also by ever more pervasive, arbitrary, and impenetrable bureaucracies. The basic axioms of self-regulation, the essence of the American political value system, were seen to be violated daily by politicians, bureaucrats, and courts. The key to the drastic escalation of group conflicts which spilled over into and wrecked the Democratic conventions of 1968 and 1972 was the pervasive belief of millions of Americans that they had lost control over their own lives, that they had no leverage over the political process, and that they were the victims of the illegitimate exercise of raw power. Watergate

and its aftermath could only consolidate this belief—and to judge from survey data, this is just what happened.⁹³

There is ample testimony, then, that something is now seriously amiss within the American political process. Suspicion rather than trust is the new bond between the governors and the governed.

CAUSES

The perceived lack of governmental accountability can be explained in part, perhaps, simply by the psychological impact of government size, distance, and complexity. As Archibald Cox has commented, "modern government is simply too large and too remote, and too few issues are fought out in elections, for a citizen to feel much . . . sense of participation in the legislative process . . ."⁹⁴ In the same vein, political opinion analyst Everett C. Ladd, Jr., observes that:

... some measure of demoralization in public opinion is bound to occur in a democratic system when it is perceived that popular wishes or expectations are very imperfectly translated into institutional response. It can never be easy in a diverse, pluralistic nation of 215 million people to achieve a high measure of popular control over the main public institutions and the continuing responsiveness of these institutions to popular wishes.⁹⁵

Yet many political analysts also believe that there are sound, objective reasons for the public's concern.⁹⁶ Ladd adds that "in our time, control and responsiveness have proved increasingly elusive . . ."⁹⁷ He (and many others) stress especially the weakening of the political parties, which traditionally have served as the most meaningful link between the governors and the governed and as a curb on special interests. Ladd writes that:

... over the past decade and a half the parties have manifested a diminished capability. The party system is not functioning well. It is not doing a good job in performing those tasks which are uniquely its own. This failure car-

ries with it serious consequences for popular confidence in government.⁹⁸

What are these "unique tasks" of the political parties? For Ladd and many others the party system has "exclusive custody" of the "core democratic function,"

... of aggregating the preferences of the mass public for political leadership and policy choice, and converting what was incoherent and diffuse to specific, responsive public decisions.

Today, the parties simply are not doing a good job in this their primary area, and as a result, popular control and responsiveness suffer.⁹⁹

Other political analysts express concern about the declining levels of electoral participation. Nearly 70 million eligible voters failed to cast ballots in the 1976 Presidential election and over 100 million in the 1978 midterm election. Curtis B. Gans suggests that:

... the central and perhaps the greatest single problem of the American polity today is ... the degree to which the vital underpinnings of American democracy are being eroded. The legitimacy of a democratic leadership and the health of the democratic process depend squarely on the informed and active participation of the electorate. Yet the level of political participation is now sinking and the decline seems irreversible.¹⁰⁰

As the political importance of political parties and voting participation has seemed to wane, that of organized lobbies and governmental bureaucrats has appeared to grow. Neither of these sets of actors, of course, is directly accountable to the public-at-large.

Interest group lobbying and new governmental activities have seemed to increase in tandem. Every program, every protective regulation, every tax loophole appears to have acquired its coterie of organized beneficiaries. Although there is no accurate tabulation of the number of such organizations, many political observers—journalists, public officials, social scientists—agree that they are rising in number and influence. Columnist Richard Rovere says

that "it has been estimated that in the last few years more than two thousand new lobbies have come into existence."¹⁰¹ Charles Peters, editor of *The Washington Monthly*, charges that:

... America is no longer a nation. It is a committee of lobbies. In Washington, the lobbies have taken over. Tax reform bills turn into Christmas trees with gifts for every special interest. Defense appropriations have less to do with real defense than with having something for everyone—a military base in some districts, airplane contracts in another.

And higher loyalties are out. Even loyalty to a political party is being replaced by a narrower loyalty to one's interest group, with political power shifting ... from the parties to the political action committees that represent special interests.¹⁰²

The increasing intensity and fragmentation of these contending interests appears to some to be the motive force for governmental expansion, and has produced "overload" within the political arena. A report to the Trilateral Commission on the "governability of democracies" states the issue in these terms:

Recent years in the Trilateral countries have seen the expansion of the demands on government from individuals and groups. The expansion takes the form of: (1) the involvement of an increasing proportion of the population in political activity; (2) the development of new groups and of new consciousness on the part of old groups, including youth, regional groups, and ethnic minorities; (3) the diversification of the political means and tactics which groups use to secure their ends; (4) an increasing expectation on the part of groups that government has the responsibility to meet their needs; and (5) an escalation in what they conceive those needs to be.

The result is an "overload" on government and the expansion of the role of government in the economy and so-

ciety. . . . This expansion of governmental activity was attributed not so much to the strength of government as to its weakness and the inability and unwillingness of central political leaders to reject the demands made upon them by numerically and functionally important groups in their society.¹⁰³

Sociologist Daniel Bell describes the same phenomenon as the "revolution of rising entitlements." The focus of American social conflict, he believes, has shifted from the private to the public sector:

The major conflicts, increasingly, are not between management and labor within the framework of the economic enterprise but between organized interest groups claiming their share of government largess. The political cockpit in which these battles are fought is the government budget.¹⁰⁴

Power also seems to be exercised increasingly by those within government itself. The initiative in many program areas has shifted to governmental bureaucrats and allied professionals, according to Samuel H. Beer, a professor of government at Harvard. He contends that:

. . . government itself—the public sector—has become such a large proportion of the total society that it generates within itself powerful forces leading to further government action. Centralization . . . breeds further centralization.¹⁰⁵

Public agencies and programs, Beer believes,

. . . continually threaten to break loose from the purposes of public policy and to follow their own chaotic and unintended course. In the days of laissez-faire, men rightly feared the unregulated economy as the source of coercive social forces. Today, the polity . . . has joined and in some countries superseded the economy as the machine that threatens to master man. Bureaucratization matches industrialization as the source of blind de-

velopment and unintended social costs.¹⁰⁶

Bureaucrats and interest groups are often interconnected. Robert Bork, a professor of law and formerly the U.S. Solicitor General, attributes to these ties both excessive governmental spending and a fundamental breakdown in the representative process:

At this point, we must know that representative government is not working terribly well. At the national and state levels, we have the problem of intense interest groups coupled with segments of the bureaucracy who have interests in particular programs and press for one program at a time.

Each interest group has its interest. The rest of us are generally unhappy about the growth of spending, but we can't focus on any one particular program, so we keep losing. The overall result is one that nobody wants.

Thus, there are structural defects in representative democracy.¹⁰⁷

Similar problems though, in a somewhat different guise, have been noted by public officials themselves. Many attest to their increasing inability to meet the ever-growing political demands placed upon them. Each of the major decisionmaking centers appears increasingly inadequate to its tasks.

Several members of the Congress have been outspoken on this point. Former Sen. James A. Buckley (R-NY) believes that the Congress simply cannot cope effectively with its extensive responsibilities in the new federal system. "The Congress itself," he says,

. . . represents the major limitation on the number of responsibilities that the federal government can effectively discharge. This is not an indictment of the men and women who currently constitute the Congress. It is merely a recognition of the limitations inherent in the legislative function. These limitations cannot be overcome by reworking organization charts and procedures. It is in the nature of a legislative body that each member

is required to make a judgment on each in the entire spectrum of issues and concerns that comes to the floor for a vote.

The simple fact of the matter is that the Congress has involved itself (and therefore the national government) in so vast an array of concerns that no one member can any longer concentrate on and master more than a small fraction of the legislative business that comes before it. Members of Congress have become so embroiled in the myriad details once thought to be the sole province of state and local authorities (e.g., employee safety standards in the corner drugstore) that they haven't the time to truly study or understand such uniquely national concerns as the need for a comprehensive energy policy or the consequences of the growing imbalance between Soviet and American arms.

Demands on the time and attention of the members have grown to the point where they exceed the Congress' collective capacity to operate with any degree of deliberative thought. . . . As a result of these pressures, too much of the work of the Congress is now dominated by professional and highly partisan staffs. Too many of its laws are poorly conceived. Too many essentially legislative responsibilities are delegated to bureaucratic rulemakers who too often end up fashioning and imposing their own independent policies.¹⁰⁸

Other legislators of varying ideological persuasion have echoed components of Buckley's criticism. Some, including Rep. Edward Patten (D-NY) complain of "the incredible overload that we deal with every day. There's no way that a member of this body can honestly say that he fully understands what he's voting on."¹⁰⁹ Another (an unidentified Democrat) has commented,

The subcommittees push out legislation, the full committees pass it on, and the Rules Committee sends it on to the floor. We're swimming weakly against a tide of legislation. Some of the younger members are so disturbed about the amount of legislation we're passing that they're starting to sound like old curmudgeons.¹¹⁰

Many agree that the number and complexity of issues has shifted responsibility away from the "average" member of the Congress and toward the issue specialists and staff experts, including Congress' own. Sen. Daniel P. Moynihan (D-NY) admits to finding much contemporary legislation incomprehensible. Most laws and regulations, he says,

. . . are probably comprehensible to the committee staff of the Congress, who draft the legislation which the regulations carry out. But I know it to be true in my own case, and I cannot suppose I am alone, that most legislative language is incomprehensible to me. I depend utterly on translators. . . . The end result of all of this is surely predictable, almost, again, tautological: a great falling away of democratic, elective government.¹¹¹

Many others describe the "overload" problem in terms of the intensity of group pressures. "Representative government on Capitol Hill is in the worst shape I have seen in my 16 years in the Senate," Sen. Edward M. Kennedy (D-MA) recently stated.

The heart of the problem is that the Senate and the House are awash in a sea of special interest lobbying and special interest campaign contributions. . . . We're elected to represent all the people of our states and districts, not just those rich enough or powerful enough to have lobbyists holding megaphones constantly to our ears.¹¹²

Others stress the psychological impact of the new group demands. "The single-interest constituencies," says Sen. Wendell Anderson (D-MN) "have just about destroyed politics as I knew it. They've made it miserable to be in

office—or to run for office—and left me feeling it's hardly worth the struggle to survive."¹¹³

Similar observations could be made about the executive branch and the White House itself, where identical pressures are felt. Joseph A. Califano, Jr., when Secretary of HEW, described the pattern of "molecular politics" dominant in Washington:

Political party discipline has been shattered by the rise of special interest politics in the nation's capitol. Washington has become a city of political molecules, with fragmentation of power, and often authority and responsibility, among increasingly narrow, whats-in-it-for-me interest groups and their responsive counterparts in the executive and legislative branches. This is a basic—perhaps the basic—fact of political life in our nation's capitol.¹¹⁴

THE IGR COMPONENT

The intergovernmental system reflects, and substantially contributes to, each of these political tendencies. Narrow-purpose categorical programs have long been the preferred instrument of special interest lobbies; hence, these have multiplied as the number of groups has grown. Many analysts have described the tendency of such programs to be protected and expanded by "iron triangles" composed of Congressional committees, interest groups, and program bureaucrats, and by "guilds" or "vertical functional autocracies" which include similar specialists at the state and local level. Ties of accountability to the public through elected and appointed "generalists" thereby are reduced greatly. Harold Seidman, a public administration scholar and a former U.S. budget official, describes grant politics in these terms:

Federal "professional" agencies and local counterparts may have their differences, but they are as one when it comes to combating attempts by outsiders to encroach upon their fiefdoms. Outsiders include lay administrators and competing professions, but the most feared are elected executives

charged with representing the broader public interests—the President of the United States, Governors, and Mayors—and those such as budget officers who assist political executives in a general staff capacity. . . . Hostility to political executives is shared and encouraged by committees and subcommittees of the Congress and state legislatures which are as preoccupied as the administrators with protecting and promoting the purposes of the individual programs under their respective jurisdictions. The bias against politicians does not extend to legislators who often are eager and powerful allies in the fight against the common enemy.¹¹⁵

The byzantine linkages of the present intergovernmental system make these dilemmas more serious than they were a dozen or so years ago, when they were first highlighted. Indeed the nation may now have reached the situation foreseen by William G. Colman in 1962, where:

. . . grants-in-aid are an impenetrable jungle of legal, financial, and political and professional interlacings which will sorely try the minds of officials at all levels—Congressmen, Cabinet members, Governors, Mayors, and county officials—in trying to maintain any kind of rational legislative and administrative direction of the areas of government affairs in which grants play so large a part.¹¹⁶

Edward K. Hamilton, in a contemporary commentary, describes the problem in both its official and electoral dimensions:

The extended initiation and control linkages in so large and diverse a [federal aid] "system," together with the long lead times implied by the necessity to coordinate so many unsynchronized units, has greatly reduced the influence of elected officials upon real-world outcomes, and severely diluted the capacity for deliberate and predictable influence by any individual or faction. This prob-

lem has been compounded in recent years by a marked tendency toward shorter average tenure in elective and appointive office at all levels. . . .

The commingling of governmental levels seems to have severely attenuated the link between the intent of voters and the postelection sequence of events, particularly at the local level. The "ambassadorial" function of local elected and appointed executives (to the state and national capitals) is often as invisible to the electorate as it is critical to meaningful action. In general, candidates' programmatic platforms continue to ignore the necessity of intergovernmental cooperation to effect any major change, so that voters have little sense of how many cooks are required to produce edible broth.¹¹⁷

Although the focus of most analyses has been at the Washington level, evidence of "overload" also exists in some urban communities, fostered in part by the expanding array of intergovernmental programs. Political scientist Douglas Yates argues that:

. . . the legacy of a half-century of federal and state policy has been to make city government bear even more functions, programs, and responsibilities for administrative control, regulation, and evaluation. Moreover, the city has been the cockpit of American social policy where the different levels of government try out and fight over urban problem solving strategies. The impact of this intergovernmental contest has been to increase the overload at the center of urban policymaking in city hall.¹¹⁸

Large cities, he believes, are increasingly "ungovernable."

SUMMARY

The present concern about the role of the federal government extends to questions even more fundamental than those of administration, policies, and finance. It includes, on the part of many observers, a fear that the founda-

tions of political legitimacy—the ultimate "consent of the governed"—are being badly strained. These concerned critics believe that the linkages of political accountability and responsiveness—in particular, the party system—are no longer performing their tasks adequately. Power, they say, has shifted from the people and their elected representatives to interest groups and bureaucrats.

Rising group demands and the ever-growing breadth of federal responsibilities has produced, according to some of these assessments, a serious problem of political "overload." There is, indeed, a fear that the nation is becoming increasingly "ungovernable."

The fragmentation of federal aid programs, and the complicated linkages of intergovernmental operations, contribute significantly to this problem. Neither public officials nor the general public can comprehend fully the new complexities of domestic public policy, or adequately control (or even check) the myriad forces that have generated it.

THE FEDERAL ROLE IN THE FEDERAL SYSTEM: THE NEED FOR REASSESSMENT

Four Problems and the Status of Federalism

There are, in summary, four strong reasons for concern about the present status of American federalism, and especially the unprecedented role of the national government that has evolved since 1960. These pertain to problems of administration, effectiveness, cost, and accountability. Each has been identified as an area of serious shortcomings by concerned scholars, public officials, and the citizenry at large. Together these four problem areas suggest the need for a thoroughgoing reconsideration, reaffirmation, or redefinition of public purposes and responsibilities within the American system.

The problems identified, however, can be regarded as symptoms, not root causes. What are the more fundamental issues? On this question no consensus emerges. There are almost as many interpretations as there are interpreters. Yet, the contributing factors, as variously identified, can be classified, and include:

- over-expectation and under-effort in dealing with chronic social problems;
- the assumption of governmental responsibilities for meeting complex human or societal needs in areas where the knowledge of effective policies is lacking;
- inadequate recognition of the limitations of administrative agencies—especially networks of administrative agencies—in performing complex and sensitive new tasks;
- an inability to define objectives and an excessively fragmentary, unplanned approach to the formation of public policy; and
- improper design of many public programs, including inadequate attention to expected costs as well as benefits and possible unintended consequences.

Each of these interpretations has its advocates.

What necessarily is of concern to ACIR, however, is the view now expressed with renewed frequency that changes in—or the decay of—our system of federalism are a fundamental cause. This position, for example, has been stated clearly by former Sen. James Buckley:

The major complaints about government that we hear these days—complaints about the size and complexity and cost of the federal establishment, the arrogance and inefficiency of runaway bureaucracies, the growing apathy of the American public—are all in significant degree manifestations of a single phenomenon: the withering away of a system of federalism in which a hierarchy of governmental responsibilities is clearly recognized and respected.

The resulting proliferation of federal powers on the one hand, and the subordination of state and local governments to federal edict on the other, have created institutional stresses that cannot be fully resolved simply by hiring efficiency experts to reorder the way the executive and legislative branches are going about their current business.¹¹⁹

In Buckley's mind the solution is straightforward, and is implied in the diagnosis. There is an "urgent need," he believes, "to rediscover the principles of federalism, and to redefine, in the light of modern experience, the appropriate limits of federal authority."¹²⁰

This assertion represents a serious challenge to both those who may be inclined to accept and those who reject it. Its importance is suggested by the fact that each of the difficulties found in contemporary governance can be correlated in some degree with the potential advantages that scholars sometimes have claimed for a federal system. Federalism has been said to provide a substantial degree of administrative decentralization, making the national government more manageable; it permits experimentation in order to devise the most effective governmental policies; it increases efficiency by matching public activities more closely to real public and areal needs; and it fosters high levels of participation and a sense of effective democratic citizenship.¹²¹

Yet Sen. Buckley's statement does not command unanimous assent. On the contrary it touches the heart of most current political controversies. The appropriate allocation of federal, state, and local functions has been, in fact, a preeminent political and theoretical issue since the founding of the Republic. It was practically buried during the period 1960-76, but now has reemerged as a (if not the) central question on the nation's agenda of major unfinished business.

The Constitutional Dimension

At the Constitutional level there is substantial agreement among informed scholars. Few question the assertion that the Constitutional foundations of federalism, as traditionally understood, no longer bear much direct relation to questions of public policy. Questions of governmental responsibility have been shifted from the judicial to the legislative arena. Those who condemn or applaud this transformation agree to its reality. Indeed many believe it occurred some time ago, in the midst of the Great Depression and the years following. By the early 1950s a leading scholar could write:

I consider the Constitutional issue set-

tled against the states. The national government can now go a long way under the interstate commerce clause and the general welfare clause; and by grants-in-aid it can buy whatever additional authority Congress believes desirable. The future of the states rests not on Constitutional protection but on political and administrative decisions. . . . The issues of the future in this area are consequently political and administrative in nature.¹²²

The 1955 report of the Kestnbaum Commission echoed this reality:

The organs of the national government determine what the Constitution permits the national government to do and what it does not, subject to the ultimate consent of the people. And under present judicial interpretations of the Constitution, especially of the spending power and the commerce clause, the boundaries of possible national action are more and more subject to determination by legislative action. In brief, the policymaking authorities of the national government are for most purposes, the arbiters of the federal system.¹²³

Most contemporary students agree.¹²⁴ Political scientist Michael D. Reagan asserts that:

[W]e have arrived at a point in our constitutional history when no sphere of life is beyond the reach of the national government. Since we no longer question the Constitutionality of federal acts, the deciding factor becomes one of policy rather than legality.¹²⁵

Similarly Philip B. Kurland, a specialist in Constitutional law, has concluded that:

The spending power and the commerce power as construed by the Supreme Court have afforded national government hegemony over all affairs of the citizens and residents of this nation. The national government is free to regulate everything, except that it must conform to the Supreme Court's interpretation of the limitations im-

posed by the Bill of Rights and other specific limitations spelled out in the Constitution itself. From a government of delegated powers it has become a sovereignty with jurisdiction no different from that of the nation from which it seceded in 1776.¹²⁶

Although these fundamental legal issues were largely disposed of four decades ago, the full policy implications were not apparent until the 1960s. It was during this period, as James L. Sundquist has written, that:

. . . the American federal system entered a new phase. Through a series of dramatic enactments, the Congress asserted the national interest and authority in a wide range of governmental functions that until then had been the province, exclusively or predominantly, of state and local governments. The new legislation not only established federal-state-local relations in entirely new fields of activity and on a vast scale but it established new patterns of relationships as well.

The dramatic expansion of the range of concern of the federal government in the 1960s can be seen as the culmination of a historic trend—the final burial, perhaps, of traditional doctrines of American federalism that, for a long time, had been dying hard.¹²⁷

This trend, which Sundquist declared in 1969 to be “irreversible,” clearly has continued to the present time.

What Can Be Done?

This substantial agreement on legal facts and trends in no way implies agreement on possible solutions. No single course of action commands unanimous assent. In particular many analysts believe that it would be impossible and inappropriate to turn back the clock of federalism to the patterns of an earlier and much simpler era. Both politically and analytically any such attempt would confront obsta-

cles that many have judged to be quite insuperable.

First, it seems unlikely that a resort to the nation's first and fundamental principles can shed much light on current problems. The founding fathers did not—and could not—have contemplated most of the issues involved in governing an urbanized, industrialized, and increasingly post-industrial society of continental dimensions and possessed of important international obligations. On the contrary, as Edward K. Hamilton has observed, “The framers did not construct a governmental framework for a predominantly urban nation;” indeed, they “would be uniformly aghast at the living patterns which characterize 20th Century America.”¹²⁸ James L. Sundquist remarks that:

... an ideology based on invoking the distant past gives us few workable answers in dealing with the everyday problems of federalism. It simply is not useful to engage in Constitutional exegesis, asking ourselves, “Now, how did the founding fathers instruct us, two centuries ago, to handle this 20th Century problem?” ... [W]hat did the founding fathers have in mind regarding the control of deadly industrial chemicals that did not then exist? How did they intend for nuclear wastes to be disposed of? We are without instructions. We are on our own.¹²⁹

Others take the view that the American system never approximated the traditional “layer cake” model of “dual federalism” or divided (and largely compartmentalized) responsibilities. This position was expressed most forcefully by the late Morton Grodzins and a former student, Daniel J. Elazar, who now directs the Center for the Study of Federalism at Temple University. To these scholars, the sharing of domestic responsibilities has a lengthy history. Grodzins wrote:

The American federal system has never been a system of separated governmental activities. There has never been a time when it was possible to put neat labels on discrete “federal,” “state,” and “local” functions. Even

before the Constitution, a statute of 1785, reinforced by the *Northwest Ordinance of 1785*, gave grants-in-land to the states for public schools. Thus the national government was a prime force in making possible what is now taken to be the most local function of all, primary and secondary education. More important, the nation, before it was fully organized, established by this action a first principle of American federalism: the national government would use its superior resources to initiate and support national programs, principally administered by the states.¹³⁰

Contemporary theories of government, like those of the founding fathers, also seem inadequate to the present task. Alan K. Campbell, a distinguished educator and currently the Director of the Office of Personnel Management, has warned that:

[T]here 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. ... 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.¹³¹

Political realities also seem to impose a very substantial constraint. Morton Grodzins (and many others) believed that attempts to “unwind” the complex system of intergovernmental relations are necessarily foredoomed. Past American experience seems to conform to this assessment. Four attempts to separate the national and state spheres over the years 1947–59, culminating in the work of the Joint Federal-State Action Committee (JFSAC), all proved unsuccessful.¹³²

The JFSAC—composed of ten Governors and seven high-ranking federal officials—after two years of concerted effort was able to propose only two federally aided activities for return to the states: a program of vocational education and one for municipal waste treatment plant

construction. (Even these proposals were not accepted by the Congress.) In other areas the Committee was stymied by the inability of its members to commit their governments to particular actions and by divergent views among the Governors themselves, as well as opposition from local governmental officials and various specialist professional groups. Grodzins has explained why:

[W]here national programs exist, any attempt to give them to the states is a threat to recipients of services, and therefore, a threat to the Governor's elected position. A Governor may in good faith promise that his state will assume a federal function, but there is no guarantee that he can fulfill his promise because even when a Governor and a majority of the state legislature are members of the same party, he cannot control the party members in the legislature and therefore cannot guarantee passage of the necessary legislation. This accounts for the Governors' reluctance. They ask: "Why alienate a significant fraction of voters?"¹³³

Grodzins thought that efforts of this kind could be effective only if the political parties were more disciplined and united than they actually are.

Finally many experts see little merit in any attempt to rationalize or reorder the federalist structure of American governance, and especially to reserve any areas of full autonomy to the states or localities. Dissatisfaction with the complexity and delays inherent in the traditional division of sovereignty was expressed by Harold Laski four decades ago. "The epoch of federalism is over," he said. Federalism:

... is insufficiently positive in character; it does not provide for sufficient rapidity of action; it inhibits the emergence of the necessary standards of uniformity; it relies upon compacts and compromises which take insufficient account of the urgent category of time; it leaves the backward areas a restraint, at once parasitic and poisonous, on those which seek to move for-

ward; at least, its psychological results, especially in an age of crisis, are depressing to a democracy that needs the drama of positive achievement to retain its faith.¹³⁴

Similarly, a more recent theorist, William H. Riker, has argued that the federal "bargain" is not worth keeping, because federalism is destructive of both majority and minority rights, without any compensating virtues. Writing in 1964, Riker concluded that "if in the United States one disapproves of racism, one should disapprove of federalism."¹³⁵

This charge that federalism is fundamentally out of character with contemporary social, economic, and political requirements often is repeated. For such reasons a respected contemporary student, Richard H. Leach, has commented that:

It is very possible that today, were the choice still open, the United States would not opt for federalism. America today is virtually a national state in terms of economics, culture, education, athletics, labor unionization, employer organization, and most of the other indices that could be used to measure nationalization. That it would seem desirable now to begin a nation with a pledge to small constituencies and a division of power in their behalf is doubtful.¹³⁶

The Present Need

Although each reservation cataloged above is important and, to many, extremely persuasive, such arguments cannot dispose of the issue. The inadequacies of federalist theory and the serious political hurdles must be weighed against the rampant dissatisfaction with the actual performance of the present inter-governmental system.

Most important, perhaps, has been the substantial shift in the tone and character of the federalism debate as a consequence of the experience of the past dozen or more years. Until the mid-1960s the advocates of a more extensive federal role could point a stern finger at the shortcomings of state and local governments, at the seriousness of domestic problems

and the very limited national responses to them. In the late 1970s many of the domestic problems still remain, and a new generation of critics is quick to point up the inadequacies of the extensive range of federal regulatory and assistance programs.

Furthermore, given the tensions in the system and the rising level of public discontent, glib references to a "sharing" of responsibilities, to the "partnership" of governments, no longer provide an adequate touchstone for evaluating intergovernmental activities. Exactly what is to be shared, and precisely how the sharing is to occur, have been found to be matters of considerable importance.

Present circumstances suggest the need for a thoroughgoing reassessment of the status of American federalism. It seems unlikely that any of the intergovernmental shortcomings cataloged here will be resolved easily, or by *minor tinkering with the details of federal administrative practice*. This, indeed, was a major conclusion of the 14-volume study of the grant-in-aid system completed by ACIR in 1978. The findings of that comprehensive report indicated the necessity for the President and Congress to provide for:

- a reexamination of federal, state and local roles in, and contributions to the principal functional areas of public policy, including assessments of the desirability of fully nationalizing some functions while reducing, eliminating, or forestalling federal involvement in others;
- an assessment of the interrelationships among the full range of programs in each policy field;
- A consideration of the possible use of instruments other than grants-in-aid to realize national objectives.¹³⁷

This recommendation contemplates the possibility of far-reaching changes in the present system of intergovernmental relations, without specifying the precise direction. In this study the Commission focuses on this critical question of direction.

Other organizations that have recently examined major problem areas in domestic policy have reached similar conclusions. The final report of the Commission on Federal Paperwork indicated that paperwork and red tape are "out of control" in part because of "new social goals." More precisely the report indicated that "government is involved in everyone's life and work to a degree never before known because of our developing social goals in education, social security, welfare, health, and business regulation."¹³⁸ The Paperwork Commission's report, *Federal/State/Local Cooperation*, identified as a "root cause" of much red tape and paperwork within the intergovernmental system the "concurrent jurisdiction of the federal level and the state level over the lives of citizens within their respective geographic areas." It suggested the need for a:

... study to establish criteria for the degree of federal involvement appropriate in assistance activities, taking into account such factors as the ultimate user of the assisted activity, the amount of federal funds involved, and whether the assisted activity is essentially state or local in character, or has interstate or national implications.¹³⁹

The White House Conference on Balanced National Growth and Economic Development, which brought to Washington 500 citizens and state-local government officials in early 1978, identified numerous inadequacies in federal policies and management. Although the Conference did not make specific recommendations, its delegates in workshop sessions indicated the need for a "reassignment of fiscal functions" and new system of "fair and flexible federalism," including greater decentralization within the federal system, the assumption of greater responsibility by state governments, and the assumption by the federal government of welfare and Medicaid costs.¹⁴⁰

Finally, Congress itself recognized this same need to reassess the federal system when it mandated ACIR to prepare the present study.

FOOTNOTES

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- ³⁵ See ACIR, A-53, *op. cit.*, p. 52.
- ³⁶ Robert H. Haveman, ed., *A Decade of Federal Anti-poverty Programs: Achievements, Failures, and Lessons*, New York, NY, Academic Press, 1977, p. 18. Estimates do differ. Those of the Congressional Budget Office suggest that 8.3% of all families remain in poverty after in-kind transfers are considered. In 1965 19.1% of the nation's families had incomes below the poverty level. See Congressional Budget Office, *Poverty Status of Families Under Alternative Definitions of Income*, Washington, DC, U.S. Government Printing Office, 1977. On the other hand there has been little reduction in poverty as measured by relative rather than the official absolute standards. See Robert D. Plotnick and Felicity Skidmore, *Progress Against Poverty: A Review of the 1964-1974 Decade*, New York, NY, Academic Press, 1975.
- ³⁷ Plotnick and Skidmore, *op. cit.*, pp. 5, 26; Haveman, *op. cit.*, pp. 7-9.
- ³⁸ Henry M. Levin, "A Decade of Policy Developments in Improving Education and Training for Low-Income Populations," in Haveman, ed., *op. cit.*, p. 179.
- ³⁹ *Ibid.*
- ⁴⁰ Congressional Budget Office, *op. cit.*, p. 5.
- ⁴¹ Congressional Budget Office, *The Administration's Welfare Reform Proposal: An Analysis of the Program for Better Jobs and Income*, *op. cit.*, 1978, p. 38.
- ⁴² U.S. President, *Message Transmitting Recommendations for City Demonstration Programs*, 89th Cong., 2nd Sess., House Document No. 368, Washington, DC, U.S. Government Printing Office, January 26, 1966.
- ⁴³ Louis H. Massotti, "Toward a Viable Urban Future in a Society of Limits: Possibilities, Policies and Politics," paper presented at the Annual Meeting of the American Political Science Association, New York, NY, August 31, 1978, p. 2. A detailed assessment of urban problems is provided in William Gorham and Nathan Glazer, eds., *The Urban Predicament*, Washington, DC, The Urban Institute, 1976.
- ⁴⁴ *Ibid.*, pp. 1-2.
- ⁴⁵ Anthony Downs, "Urban Policy," *Setting National Priorities: The 1979 Budget*, Joseph A. Pechman (ed.), Washington, DC, The Brookings Institution, 1978, p. 183.
- ⁴⁶ George E. Peterson, "Finance," in Gorham and Glazer, *op. cit.*, pp. 59-62.
- ⁴⁷ Henry J. Aaron, *Politics and the Professors: The Great Society in Perspective*, Washington, DC, The Brookings Institution, 1978, p. 159.
- ⁴⁸ *Ibid.*, p. 1.
- ⁴⁹ Prather and Gibson, *op. cit.*, p. 562.
- ⁵⁰ The classic statement is Donald T. Campbell, "Reform as Experiments," *Urban Affairs Quarterly*, 7, December 1971. An earlier version of this article appeared in *American Psychologist*, 24, April 1969, pp. 409-429. See also Daniel P. Moynihan, *Maximum Feasible Misunderstanding: Community Action in the War on Poverty*, New York, NY, The Free Press, 1969, pp. 193-203.
- ⁵¹ Rivlin, *op. cit.*, p. 7.
- ⁵² Gorham and Glazer, *op. cit.*, p. 2.
- ⁵³ Aaron, *op. cit.*, p. 5.
- ⁵⁴ Sar A. Levitan and Robert Taggart, *The Promise of Greatness*, Cambridge, MA, Harvard University Press, 1976, p. 283.
- ⁵⁵ Richard A. Berk and Peter H. Rossi, "Doing Good or Worse: Evaluation Research Politically Re-Examined," *Social Problems*, 23, February 1976, p. 339.
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- ⁵⁷ ACIR, *Significant Features of Fiscal Federalism: 1978-1979*, M-115, Washington, DC, U.S. Government Printing Office, May 1979, p. 9.
- ⁵⁸ *Ibid.*, p. 10.
- ⁵⁹ *Ibid.*, p. 31.
- ⁶⁰ *Economic Report of the President: January 1978*, Washington, DC, U.S. Government Printing Office, 1978, p. 86. See also the *Economic Report*, January 1980, p. 104.
- ⁶¹ Robert L. Heilbroner, "Reflections: Boom and Crash," *The New Yorker*, August 28, 1978, pp. 57-58. The evidence on this point is by no means conclusive, however. For a discussion and criticism, see Herbert Stein, "Spending and Getting," *Contemporary Economic Problems 1977*, William Fellner, (ed.), Washington, DC, American Enterprise Institute for Public Policy Research, 1977, pp. 53-81. Stein finds little support for the notion that rising governmental expenditures have increased inflation or lowered productivity (except during the Viet Nam war period).
- ⁶² Barry Sussman, "'Tax Revolt' Targeted at Poor Service," *The Washington Post*, Washington, DC, The Post Publishing Co., October 1, 1978, pp. A1, A16.
- ⁶³ *Public Opinion*, July/August 1978, p. 33. State governments were called the biggest waster by 13%, local governments by 5%.
- ⁶⁴ 1965 budget message, quoted in Levitan and Taggart, *op. cit.*, p. 25.
- ⁶⁵ Barry Sussman, "Surprise: Public Backs Carter on Taxes—Roper Survey Shows Fairness Rated Above Tax Cut," *The Washington Post*, Washington, DC, The Post Publishing Co., August 6, 1978, p. D-5.
- ⁶⁶ ACIR, M-115, *op. cit.*
- ⁶⁷ *Public Opinion*, *op. cit.*, September/October 1978, p. 23.
- ⁶⁸ Robert D. Novak, "What's Happening Out There?," *Public Opinion*, *op. cit.*, September/October 1978, p. 3.
- ⁶⁹ Survey data for April 1978 in *Public Opinion*, *op. cit.*, September/October 1978, p. 25.
- ⁷⁰ *A Conversation with the Honorable Barry Bosworth: Coping With Inflation*, Washington, DC, American Enterprise Institute for Public Policy Research, 1978, pp. 7-8.
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- ⁷² Comptroller General, *Fundamental Changes Are Needed in Federal Assistance to State and Local Governments (GGD-75-75)*, Washington, DC, U.S. General Accounting Office, 1975, p. 40.
- ⁷³ *Ibid.*, p. 42.
- ⁷⁴ ACIR, *Community Development: The Workings of a Federal-Local Block Grants*, A-57, Washington, DC, U.S. Government Printing Office, 1977, p. 44.
- ⁷⁵ Comptroller General, *The Federal Government Should But Doesn't Know the Cost of Administering its Assistance Programs (GGD-77-87)*, Washington, DC, U.S. General Accounting Office, February 14, 1978.
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- ⁸⁰ *Ibid.*, p. 88.
- ⁸¹ For an overview, see ACIR, A-52, *op. cit.*, Chap. VI.
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- ⁸⁶ "The Rise in Public Expenditure—How Much Further Can It Go?," *OECD Observer*, 92, May 1978, pp. 8-14. Of the 18 OECD nations, public expenditures relative to GDP ranked the United States 14th (near the bottom) in 1974-76.
- ⁸⁷ See *Public Opinion*, *op. cit.*, March/April 1978, p. 23.
- ⁸⁸ Walter Dean Burnham, "Jimmy Carter and the Democratic Crisis," *The New Republic*, 3 and 10 July 1978, p. 18. Louis Harris, "Despite Skepticism, Americans Still Believe System Can Work," *Washington Post*, *op. cit.*, 13, November 1978, p. A10. See also Seymour Martin Lipset and William Schneider, "How's Business? What the Public Thinks," *Public Opinion*, *op. cit.*, July/August 1978, pp. 41-47.
- ⁸⁹ This theme, now very widely accepted, was first enunciated in Lloyd A. Free and Hadley Cantril, *The Political Beliefs of Americans: A Study of Public Opinion*, New York, NY, Simon and Schuster, 1968.
- ⁹⁰ Edward K. Hamilton, "On Nonconstitutional Management of a Constitutional Problem," *Daedalus*, 107, Winter 1978, p. 111.
- ⁹¹ *Ibid.*, pp. 121-22.
- ⁹² Lipset and Schneider, p. 47.
- ⁹³ Burnham, "Jimmy Carter," *op. cit.*, p. 17.
- ⁹⁴ Cox, *op. cit.*, p. 116.
- ⁹⁵ Everett Carl Ladd, Jr., *Where Have All The Voters Gone?: The Fracturing of America's Political Parties*, New York, NY, W.W. Norton, 1978, p. xvi.
- ⁹⁶ A more detailed and comprehensive summary of expert views on the operation of the policy process is presented in Volume II of this report.
- ⁹⁷ Ladd, *op. cit.*, p. xvi.
- ⁹⁸ *Ibid.*, p. xiii.
- ⁹⁹ *Ibid.*, p. xvii.
- ¹⁰⁰ Curtis B. Gans, "The Empty Ballot Box: Reflections on Nonvoters in America," *Public Opinion*, *op. cit.*, September/October 1978, p. 54.
- ¹⁰¹ Richard Rovere, "Affairs of State," *New Yorker*, May 8, 1978, p. 145.
- ¹⁰² Charles Peters, "The Solution: A Rebirth of Patriotism," *The Washington Monthly*, October 1978, p. 37.
- ¹⁰³ Michael J. Crozier, Samuel P. Huntington, and Joji Watanuki, *The Crisis of Democracy: Report on the Governability of Democracies to the Trilateral Commission*, New York, NY, University Press, 1975, pp. 163-64.
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- ¹⁰⁵ Samuel H. Beer, "The Modernization of American Federalism," *Publius*, 3, Fall 1973, p. 75.
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- ¹⁰⁷ *Taxpayers' Revolt: Are Constitutional Limits Desirable?*, Washington, DC, American Enterprise Institute for Public Policy Research, 1978, p. 13.
- ¹⁰⁸ James L. Buckley, "The Trouble With Federalism: It Isn't Being Tried," *Commonsense: A Republican Journal of Thought and Opinion*, 1, Summer 1978, pp. 12-13.
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- ¹¹⁵ Harold Seidman, *Politics, Position, and Power: The Dynamics of Federal Organization*, New York, NY, Oxford University Press, 1976, 2nd Ed., pp. 161-62.
- ¹¹⁶ U.S. Senate, Subcommittee on Intergovernmental Relations, Committee on Government Operations, *Problems of Federal-State-Local Relations*, 88th Cong., 2nd Sess., September 18, 1962, p. 13.
- ¹¹⁷ Hamilton, *op. cit.*, p. 123.
- ¹¹⁸ Douglas Yates, *The Ungovernable City*, Cambridge, MA, The MIT Press, 1977, pp. 168-69.
- ¹¹⁹ Buckley, *op. cit.*, pp. 11-12.
- ¹²⁰ *Ibid.*, p. 15.
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- ¹²⁶ Philip B. Kurland, *Watergate and the Constitution*, Chicago, IL, University of Chicago Press, 1978, p. 174.
- ¹²⁷ Sundquist, *op. cit.*, pp. 1, 6.
- ¹²⁸ Hamilton, *op. cit.*, p. 112.

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- ¹³⁵ William H. Riker, *Federalism: Origin, Operation, Significance*, Boston, MA, Little, Brown and Company, 1964, p. 155.
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- ¹³⁹ Commission on Federal Paperwork, *Federal/State/Local Cooperation*, op. cit., pp. 2, 5.
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Indicators of Federal Growth

There are a variety of indicators of the federal government's great growth in the past two centuries. The nation's increasing size has been accompanied by an expanding scope of its governments' activities, the result has been a deeper federal influence in the daily lives of its citizens, businesses, and state and local governments. Thus three basic dimensions need to be measured—size, scope of activities, and the depth of influence.

By most indicators rapid growth of the federal government began in the 1930s as the scope of its activities was broadened by the New Deal, but the deepening of the federal government's effects on individuals, businesses, and subnational levels of government has been occurring mostly since 1960. Of course the nation's population and economy also have been growing, and so have its state and local governments. The result is that some federal growth is accounted for by the expansion of the nation, and some by the shifts of governmental roles within the American federal system.

To lay a basis for sorting out the diverse causes of federal growth, this chapter describes a variety of measures of these three basic dimensions. Quantitative indicators are used wherever possible, and they are compared to the growth in the nation's population, econ-

omy, and subnational governments, and to the public sector in other nations. Size is treated first—in terms of federal spending, taxes, debt, aid programs, employment, bureaucratic organization, regulatory activity, legislative activity, and judicial caseloads. The scope of federal functions also is examined, including new areas of federal aid, regulation, court jurisdiction, and organizational structure. The impact of these federal activities on individuals, businesses, and state and local governments is probed next, focusing on the burdens in time and cost or in loss of freedoms imposed by the federal government. Finally a brief summary of findings is included.

HISTORICAL PERSPECTIVE

Before beginning a systematic look at available data, mostly for the years following 1900, it is instructive to take a brief look at an even longer time span. Comparing governments in the United States from 1789 to 1942, William Anderson noted these changes:

Then inactive, negative, laissez-faire government with very few functions, and with only business leaders favoring a national government, and they desiring to give it only enough vigor to protect commerce, provide a nationwide free home market, and a sound currency and banking system. **Now** active, positive, collectivist government, especially at the national level, rendering many services with the support of powerful labor and agricultural elements, while many business leaders have reversed their position.

Then local law enforcement with state protection of liberties guaranteed in bills of rights. **Now** increasing national law enforcement and national protection of civil liberties even against state and local action.

Then practically no employees of the national government and very few state and local employees. **Now** a national civil service of normally over a million persons reaching into every county of the country, plus extensive state and local civil services.

Then small public budgets at all

levels. **Now** public budgets and expenditures, especially for the national government, that reach astronomical figures.

Then (before 1789) no national taxes at all; for decades after 1789, only customs and excise taxes on a very limited scale, with state and local governments relying almost entirely on direct property taxes. **Now** tremendously increased and diversified taxes at both national and state levels, with a national government rising swiftly to a dominating position with respect to all taxes except those directly on property.

Then (before 1789) state grants to the Congress of the United States for defense and debt purposes. **Now** grants-in-aid by the national government to states in increasing amounts and with steadily tightening national controls over state action.¹

The early years of the national government under both the Articles of Confederation and the present Constitution have been described by James Young in terms completely consistent with Anderson's description of "Then."² Under the Articles, the national government had no permanent home. It went from city to city, at the sufferance of state and local officials, to conduct its business. The inconvenience and dishonor suffered in this period led to a provision in the Constitution to establish a federal district and to create a permanent seat of government. Finding a suitable site and developing it became one of the national government's prime concerns in the 1790s.

By 1802 the seat of government in Washington, DC, housed a headquarters establishment of only 291 officials. The members of Congress constituted about one-half of this number. Total federal employees throughout the nation numbered fewer than 10,000, and more than two-thirds of these were uniformed personnel of the Army, Navy, and Marine Corps. Table II-1 shows how limited the functions and staffing of the national government were at this time. National defense, minting money, collecting revenue, postal services, foreign relations, lighthouses for navigation, and law en-

Table II-1
THE GOVERNMENTAL ESTABLISHMENT, 1802

	Number	Percent of Total	Percent of Nonuniformed Total
Fighting Establishment			
Nonuniformed Personnel:			
War Department, Washington	19		
War Department, Field	74		
Navy Department, Washington	11		
Navy Department, Field	13		
Uniformed Personnel:			
Army	3,350		
Navy	2,488		
Marine Corps	524		
SUBTOTAL		6,479	70.1%
Revenue-Producing Functions			
Treasury Department, Washington	89		
Collectors of Revenue	1,223		
Deputy Postmasters	947		
Land Offices	8		
SUBTOTAL		2,267	24.6
Leadership			
Congress	152		
Supreme Court	7		
Presidency	2		
SUBTOTAL		161	1.7
Foreign Relations			
State Department, Washington	9		
Ministers and Legations	10		
Consulates	63		
Treaty Commissioners and Agents	34		
SUBTOTAL		116	1.3
Social Control and Law Enforcement			
Attorney General, Washington	1		
District Judges	36		
District Attorneys	24		
Marshals	24		
Clerks	18		
SUBTOTAL		103	1.1
Citizen Benefits and Nonrevenue Services			
Lighthouses, Navigation	40		
Pension Administration	38		
SUBTOTAL		78	0.8
Miscellaneous			
U.S. Mint	13		
Purveyor of Public Supplies	4		
Territorial Administration (civil employees)	15		
Commissioner of Patents	1		
SUBTOTAL		33	0.4
TOTAL, ALL PERSONNEL		9,237	100.0%
TOTAL, NONUNIFORMED PERSONNEL		2,875	100.0%

SOURCE: Civil and Military List of February 17, 1802, ASP, Misc. Ser., I, pp. 260-319, as reported in James Sterling Young, *The Washington Community: 1800-1828*, New York, NY, Harcourt, Brace, Jovanovich, Inc., 1966, p. 29.

Table II-2
**THE HEADQUARTERS ESTABLISHMENT AT
 WASHINGTON, 1802 and 1829**

	1802	1829
Executive Branch		
Presidency	2	2
Treasury Department and General Post Office	89	226
War Department	19	34
Navy Department	11	23
State Department, Including Patent Office	10	32
Attorney General's Office	1	1
SUBTOTAL	132	318
Legislative Branch		
Vice President	1	1
Senators	32	48
Representatives	106	225
Ancillary Personnel (clerks, officers, librarians)	13	25
SUBTOTAL	152	299
Judicial Branch		
Supreme Court Justices	6	7
Clerk	1	1
SUBTOTAL	7	8
TOTAL	291	625

SOURCE: For 1802, the Civil and Military List of February 17, 1802, *ASP, Misc. Ser.*, I, pp.260-319; for 1829, *A Register of Officers and Agents, Civil, Military, and Naval in the Service of the United States, on the 30th of September, 1829*; both as reported in James Sterling Young, *The Washington Community: 1820-1828*, New York, NY, Harcourt, Brace, Jovanovich, Inc., 1966, p. 31.

forcement practically constituted the whole of government. Although the headquarters staff more than doubled by 1829, most growth centered in treasury and postal services, and in the number of members in Congress. The functions of government changed very little during that time (see Table II-2).

In interpreting these figures, Young notes that:

... the early government was an organization principally of warriors and revenue collectors. Approximately 95% of its manpower was assigned to military functions and to the production of revenue, with more than four times as many personnel engaged in servicing the national treasury as were assigned to all other civil functions of government, foreign and domestic. How attenuated were its functions as

an instrument of social control is indicated by the fact that there were more people making the law than enforcing it, Congress outnumbering the whole law enforcement establishment including marshals, district attorneys, and federal courts. As a provider of services and benefits to citizens, the national government was insignificant, unless one counts the postal service, which was then looked upon, and actually was, a profit-making enterprise of the Treasury Department. And a government could not be very much more than a debating society which had, at its headquarters, a Congress larger than its administrative apparatus.³

Thus the federal government began very small. In fact it was small not only in absolute

terms but also in relation to state and local governments. As Young explains:

Almost all of the things that republican governments do which affect the everyday lives and fortunes of their citizens, and therefore engage their interest, were in Jeffersonian times not done by the national government. The administration of justice, the maintenance of law and order, the arbitration of disputes, the chartering and supervision of business enterprise, road building and the maintenance of transportation systems, the schooling of the young, the care of the indigent, even residual control over the bulk of the military forces—these functions fell principally within the province of state and local governments to the extent that any governmental bodies performed them.⁴

Nevertheless the federal government continued to grow throughout the 19th Century and to develop some relationships with the states.⁵ The expanding frontier, of course, involved federal territorial jurisdiction, federal land grants for several purposes (including free public education, roads, flood control, drainage, canals, and railroads), growing population, encouragement of immigration, and admittance of new states. Cash grants from the federal government to the states also emerged (although briefly); receipts from the sale of federal lands were being shared as early as 1818, while excess federal revenues first were shared with the states in 1837. The first permanent cash grants-in-aid program began in 1887. Direct federal regulation of certain economic activities also began in the 1880s.

Despite these beginnings, growth of the federal government was very limited until the 20th century. Federal expenditures remained low up to 1893, and they were concentrated largely on pensions, public buildings, and river and harbor improvements. During this time the states were spending heavily for internal improvements, while the federal government consciously refrained because it was considered an inappropriate national role.⁶ Industrialization, large-scale interstate and foreign commerce, the centralization of business, and the move

toward city living grew strong national roots during the 19th century, while the federal government remained largely aloof from domestic affairs.⁷

It was this early era that can be described accurately as dual federalism, wherein the functions, funds, and personnel at the federal and state levels were largely separate. Little sharing occurred because there was not much to share, especially from the federal perspective. If a layer cake metaphor is applied, it had two separate layers, but the top was fairly thin throughout these 110 years.

The remainder of this chapter explores the 20th century, in which the indicators of growth show a very substantial change in the federal government's size and role.

THE SIZE OF THE FEDERAL GOVERNMENT

No single measure of the size of the federal government is adequate to give an accurate picture. The federal government uses a number of different approaches in seeking to reach its goals. In a few cases the federal government performs a governmental function itself—national defense, postal services, Social Security. In such cases the size of federal expenditures and federal departments or agencies fairly directly reflects the size of the federal government's role.

Much more often, however, the federal government seeks to enlist the efforts of other levels of government or the private sector in attaining national objectives. It may do this through grants-in-aid, credit assistance, tax incentives (often referred to as tax expenditures), and regulations. In these cases the size of the federal bureaucracy and budget may not reflect accurately the size of the federal influence over the affected activities. The intent is to "leverage" a modest federal government effort into a much larger national effort to attain national goals. Thus a number of separate indicators of these types of federal activity must be probed to arrive at a realistic estimate of what the federal role may be.

In addition to looking at several different types of growth indicators, a careful distinction must be made between unrefined aggregative figures, which look at the federal government

in an isolated way (numbers of current dollars, people, agencies, etc., from one year to the next), and more refined data, which relate the growth of the federal government to growth in the population, the economy, state and local governments, and other factors.

Unrefined Indicators of Federal Growth

All of the unrefined indicators of federal growth compiled for this chapter are summarized in *Figure II-1* by showing the time periods in which the various indicators evidenced significant growth.⁸ Although short periods of rapid increases occurred in the number of federal departments and agencies in the 1860s and early 1900s, and in substantial new initiatives in federal regulation beginning in the early 1900s, major growth in the federal establishment began with the Depression of the 1930s and World War II in the 1940s. Since that period each decade has witnessed the addition of new federal activities, with almost no dropping off of growth in the indicators that began rising earlier. The only exceptions appear in: (1) civilian employment in the federal government which began slacking off in the late 1960s; (2) federal aid funds (and perhaps numbers of programs, too) which began to level off in the late 1970s; and (3) the number of bills and resolutions introduced in the U.S. House of Representatives.

When examining this growth by decades, the 1930s emerge as an era of steep growth in federal revenues, expenditures, and civilian employment. Expansion in the number of federal departments and agencies began anew in this decade and has continued to the present. The same can be said of the hike in the number of regulatory agencies and budget deficits. Although significant short-term deficits had been associated with the Civil War, the recession of the 1890s, and World War I, a much more sustained succession of deficits was created by the Great Depression of the 1930s, the wars that followed, and the economic uncertainties of the 1970s.

The 1940s saw the mounting accumulation of federal debt, which continues to the present time. The number of bills and resolutions introduced in the House also began growing significantly by this decade.

Significant expansion in the number of administrative law judges, Congressional staff, the number of federal court cases, and federal aid funds all occurred in the 1950s. Rapid increases in the number of federal aid programs, the percent of state agencies receiving federal aid, the number of federal mandates,⁹ and the size of the *Federal Register* were contributions of the 1960s. The 1970s have seen rapid increases in federal payments to individuals, federal loans and loan guarantees, federal tax expenditures for regulatory activities, and the number of Congressional committee meetings.

In addition to examining these general trends of federal growth by decades, it also is instructive to examine more precisely the data gathered for the six subject areas: (1) overall financial growth, (2) growth of the federal bureaucracy, (3) growth in the activities of Congress and the federal courts, (4) growth in federal regulatory activities, (5) growth in federal aid, and (6) growth in the use of new federal financing mechanisms in recent years.

OVERALL FEDERAL FINANCIAL GROWTH

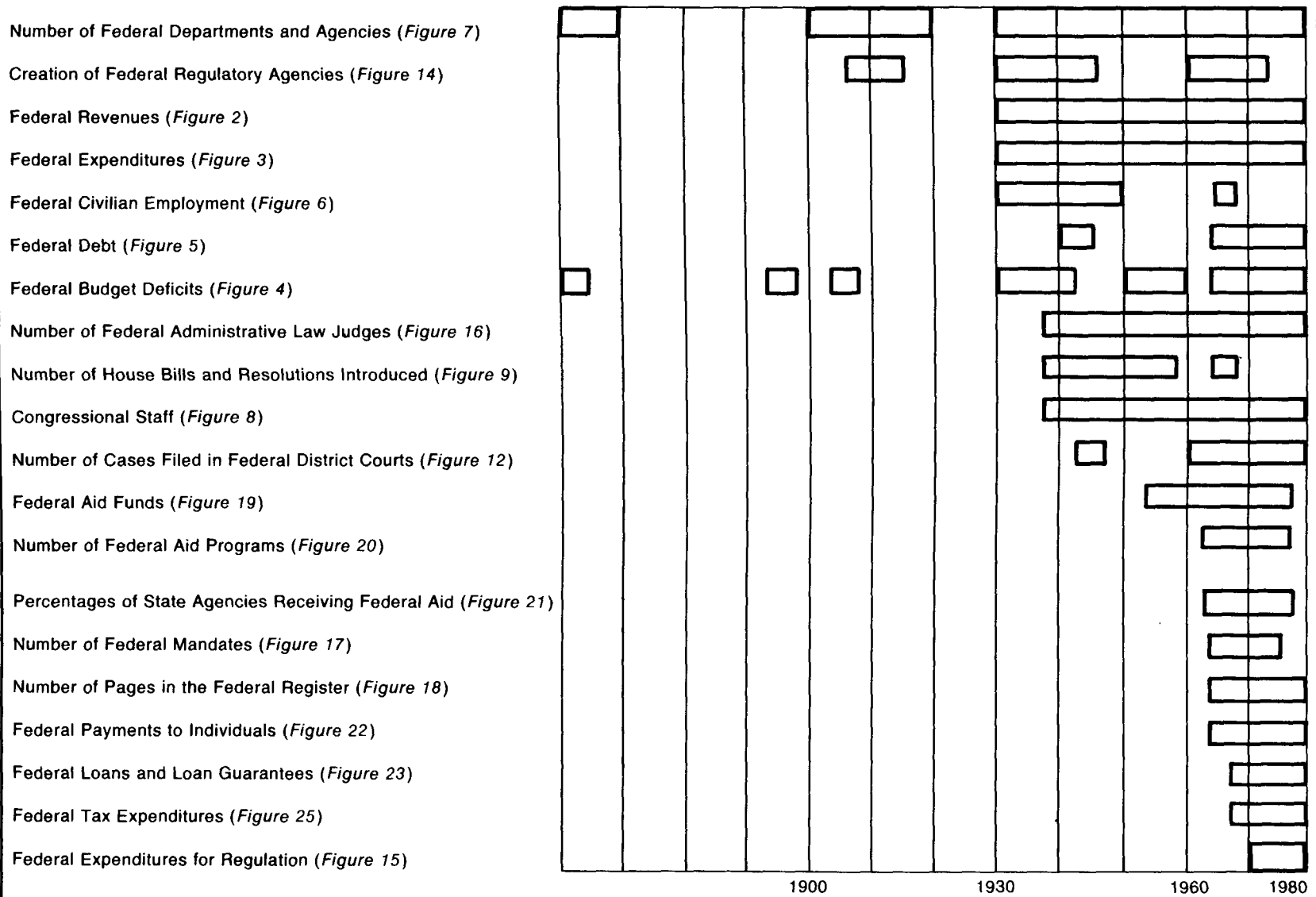
The rapid growth in both federal revenues and expenditures began their ascents in the early 1930s and have closely paralleled each other since then (see *Figures II-2* through *II-5*). The national debt was very modest until World War II, when a drastic increase occurred. Efforts to retire the war debt were somewhat successful until the early 1950s, when the Korean War intervened. By 1960 a federal budget surplus had become almost extinct. By the mid-1960s the cumulative national debt (in current dollars) had begun a steep rise which continues to the present. Financially the federal government now operates at a scale totally unknown prior to World War II.

GROWTH OF THE FEDERAL BUREAUCRACY

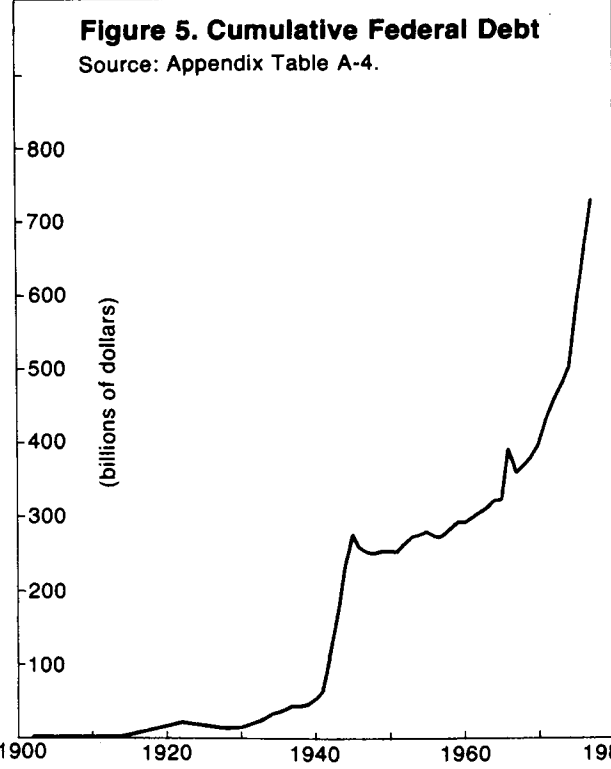
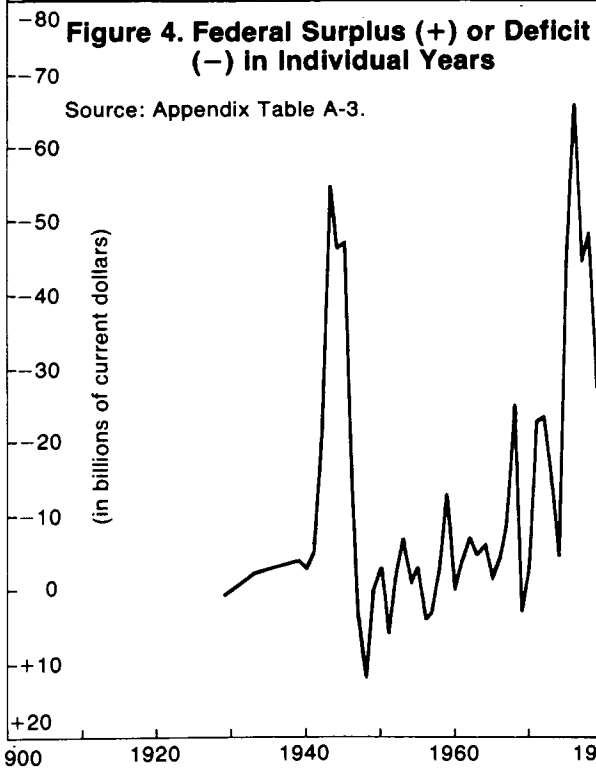
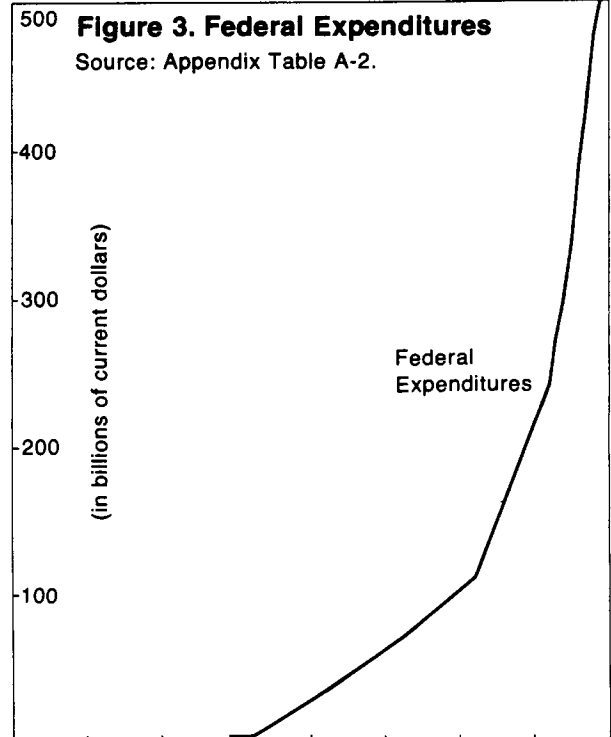
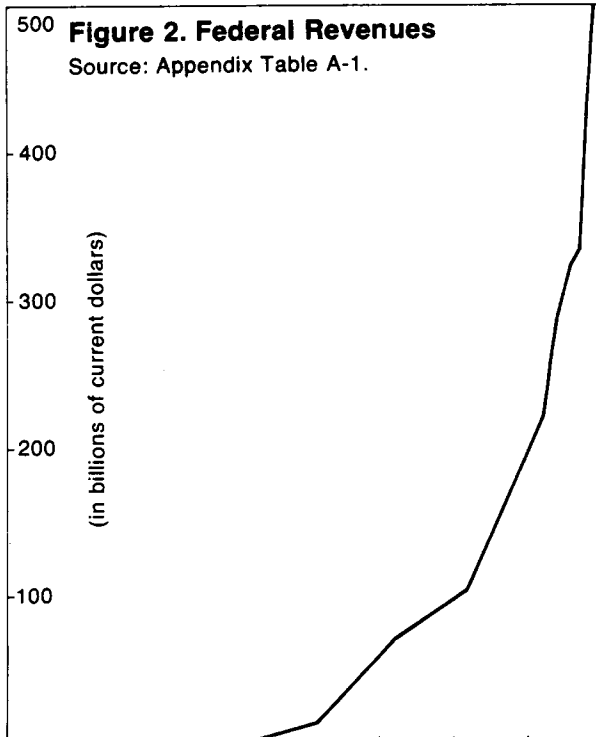
Federal civilian employment roughly followed the increases in overall financial growth of the federal government until the late 1960s (see *Figure II-6*). Then it began to fall from its peak and has leveled off in the 1970s. Military employment is excluded because it varies too widely between times of war and peace.

The number of federal departments, agencies, bureaus, and other organizational units also increased, as shown by *Figure II-7*.

Figure II-1. Periods of Significant Federal Growth in Unrefined Indicators



Figures II-2—II-5. Overall Federal Financial Growth



Figures II-6 and II-7. Growth of the Federal Bureaucracy

Figure 6. Federal Civilian Employment

Source: Appendix Table A-5.

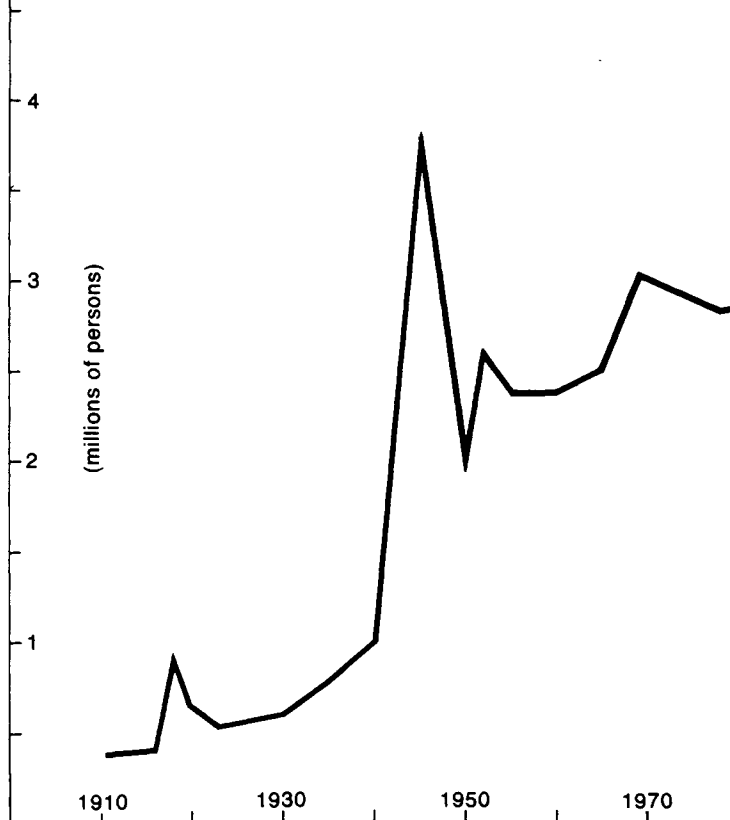
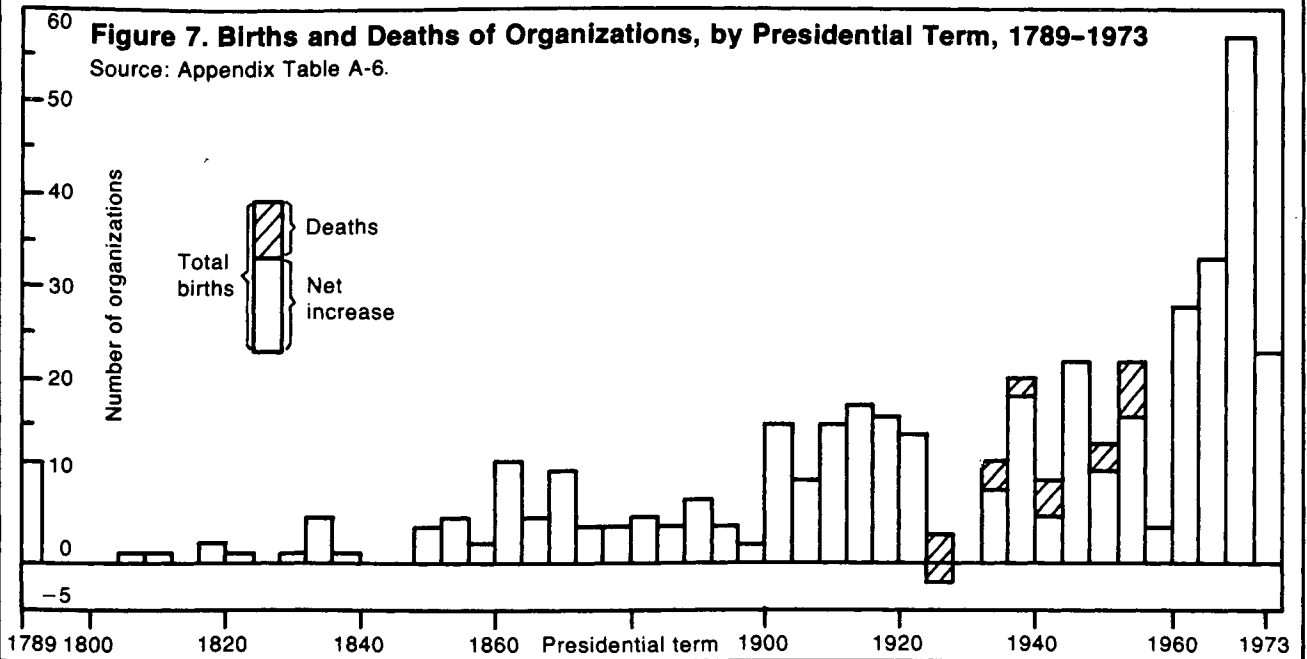


Figure 7. Births and Deaths of Organizations, by Presidential Term, 1789-1973

Source: Appendix Table A-6.



Examining the births and deaths of these federal units from the time when the Constitution was adopted through 1973, Herbert Kaufman found that most federal organizations have been immortal.¹⁰ Although a few organizations went out of existence from the 1920s through the 1950s, their number was small relative to those created during that period; the rest of the nation's history has been marked by increases without any offsetting decreases. Small peaks in the creation of new federal agencies occurred in the 1860s, the first two decades of the 20th Century, and the Depression and war years, but the most startling growth in the number of new federal agencies took place in the 1960s. During 1961-73 a total of 141 new agencies were created (nearly 36% of the 394 existing in 1973), and none disappeared during that time.¹¹ (Of course, this organizational expansion reflects a great deal of programmatic expansion, as will be described later in this chapter.)

Through this cumulative process, the federal government has become much more complex. The Congress now is served by eight agencies; the judicial branch has two agencies in addition to all the courts; and the executive branch has an Executive Office of the President with 12 agencies, 13 departments¹² (each containing many different offices and bureaus), and 56 independent agencies. In addition there are 81

national commissions, committees, and boards established by Congressional or Presidential action and having functions independent of any other department or agency. There are also 1,240 advisory committees serving almost every part of government. Finally, there are four quasi-official agencies. The current *United States Government Manual* in which all of these departments and agencies (except the advisory committees) are listed runs over 900 pages in length.¹³

GROWING ACTIVITY IN CONGRESS AND THE FEDERAL COURTS

As the nation expanded in territory, population, and number of states, the Congress grew from its original 1789 composition of 20 Senators and 59 Representatives, to its current composition of 100 Senators and 435 Representatives. During the same period the federal judiciary grew from six Supreme Court justices and 36 district judges to a total of 112 separate courts encompassing 574 judges. *Table II-3* lists the present U.S. courts and shows the distribution of judges among them.

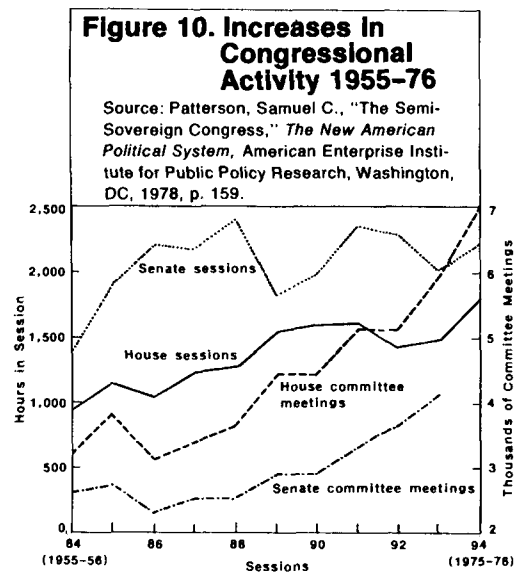
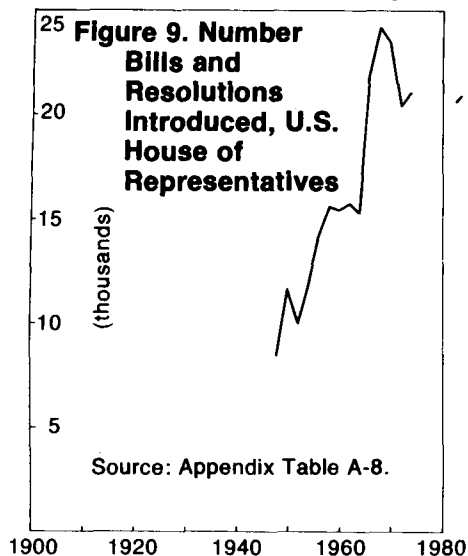
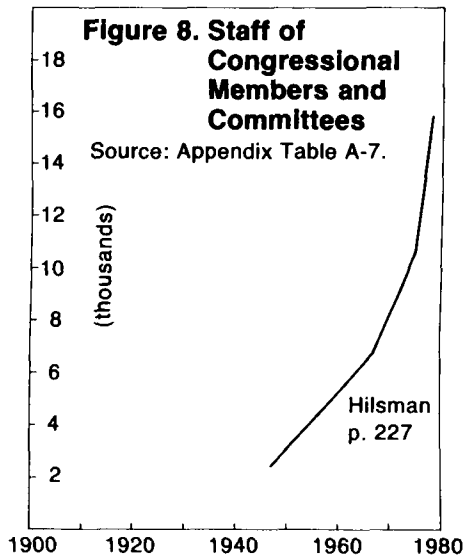
In addition to the increases in legislative and judicial officers, there have been increases in staff and work loads. *Figure II-8* shows rather steep growth in staffs of Congressional members and committees since the 1940s. This was accompanied by an equally steep growth in the

Table II-3
STATUS OF U.S. COURTS, 1978

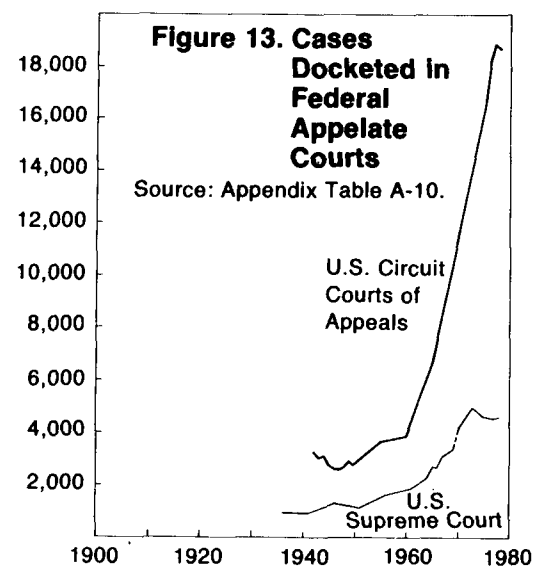
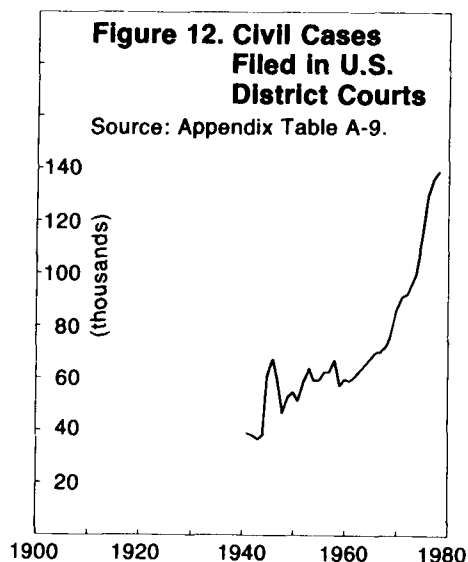
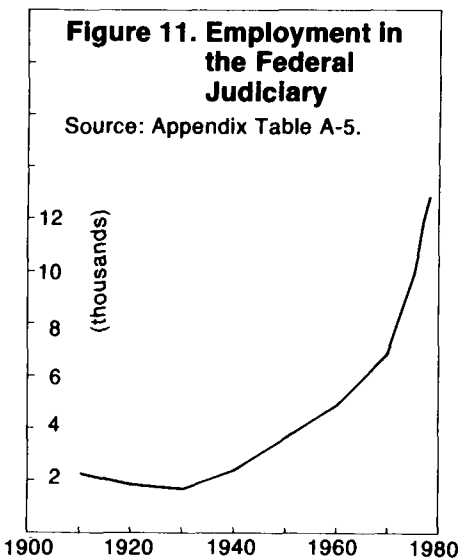
Number of Courts	Type of Court	Number of Judges
1	U.S. Supreme Court	9
11	U.S. Circuit Courts of Appeals	97
91	U.S. District Courts (includes Puerto Rico)	401
1	Temporary Emergency Court of Appeals	8
1	U.S. Court of Claims	23
1	U.S. Court of Customs and Patent Appeals	5
1	U.S. Customs Court	9
4	Territorial Courts—Guam, Canal Zone, Virgin Islands, Northern Mariana Islands	5
1	U.S. Court of Military Appeals	3
1	U.S. Tax Court	16
113	TOTAL	576

SOURCE: U.S. General Services Administration, National Archives and Records Service, *United States Government Manual: 1978/79*, Washington, DC, U.S. Government Printing Office, 1978.

**Figures II-8—II-13.
Growing Activity in Congress...**



... And the Federal Courts



Figures II-19—II-21. Growth in Federal Aid

Figure 19. Amount of Federal Aid

Source: Appendix Table A-13.

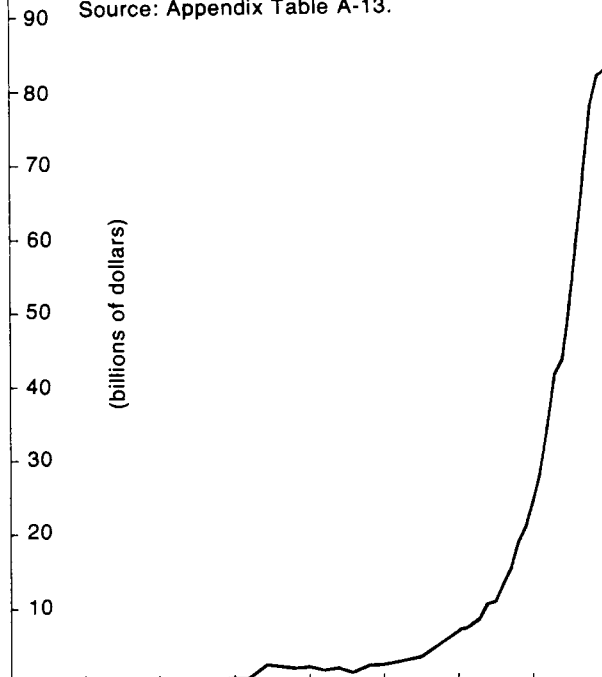


Figure 20. Growing Number of Grant-in-Aid Programs 1902-74

Source: Appendix Table A-14.

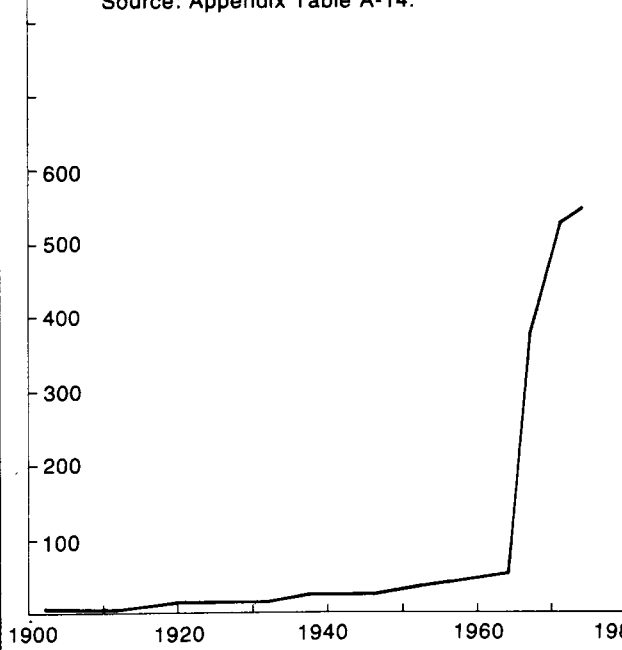
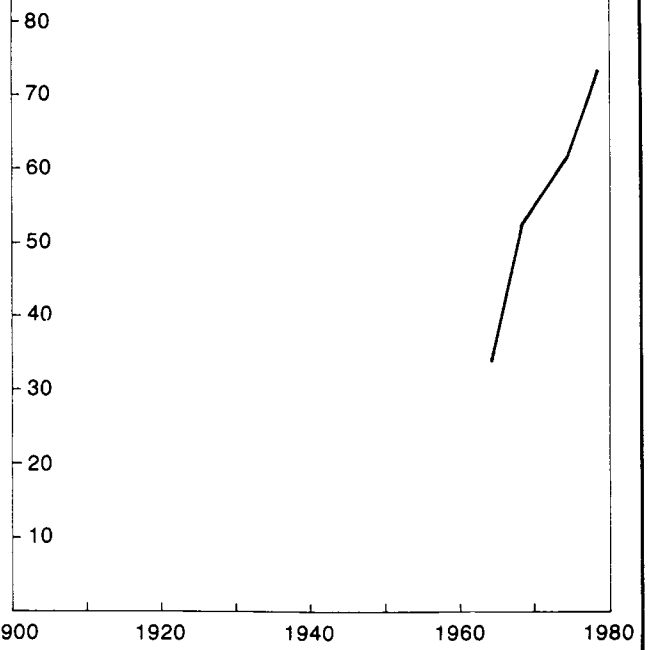


Figure 21. Percent of State Agencies Receiving Federal Aid

Source: Appendix Table A-15.



confirm this slowdown, ACIR's most recent counts of actually funded grant programs for state and local governments (using a different definition than *Figure II-20*) indicates continued strong growth—from 448 programs in 1975 to 498 in 1978.¹⁵ Thus the number of programs may still be increasing while funds are getting tighter.

With the enactment of the General Revenue Sharing Program in 1972, every state, as well as virtually every municipality and county in the nation, now receives federal grant funds. *Figure II-21* shows that during the 1960s and 1970s, federal aid found its way into three-quarters of all state agencies, many of which were recently established. Thus federal aid has become a big and pervasive force in the federal system.

RECENT INNOVATIONS IN FEDERAL FINANCING

Although federal transfer payments to individuals, federal credit assistance programs, and federal tax expenditures are not new inventions, rapid increases in their utilization are products of the 1960s and 1970s. These trends are shown in *Figures II-22* through *II-25*.

Federal transfer payments to individuals (see *Figure II-22*) consist of Social Security, several federal retirement systems, unemployment benefits, Medicare, food stamps, Supplemental Security Income, workmen's compensation, veteran's benefits, and several small entitlement programs. In 1975 these transfer payments for the first time surpassed federal expenditures for the purchase of goods and services. In other words the federal government spent more on direct entitlement payments to citizens than on employing, equipping, and supplying its own federal work force to carry out federal programs. Furthermore these transfer payments have continued to grow as a proportion of the federal budget since 1975.

Federal credit assistance consists of direct loans and guaranteed loans. Direct loans are made to individuals and organizations by both regular federal agencies and independent federal corporations whose activities are not included in the regular federal budget. Federal guarantees of loans are made in the private sector of money markets. By far the fastest growing sector of federal credit assistance has

been the loan guarantees. Of course they do not necessarily result in federal expenditures for the face amounts quoted. Nevertheless there is a potential budget commitment in the future and a very real and immediate facilitation of credit that otherwise would be more expensive or unavailable.

How these federal loans and loan guarantee commitments have accumulated over time is shown in *Figure II-23*. *Figure II-24* shows that the annual increases in both types of activities continue to increase. Total federal obligations under these federal assistance programs, other than those reflected in the regular budget, amounted to about \$70 billion in FY 1979.

Federal tax expenditures, although analyzed in connection with the budget since 1974, also are not reflected in the federal budget itself. These indirect expenditures (revenue reductions) very substantially benefit many individuals, businesses, and nonprofit corporations. Such expenditures consist of foregone federal tax collections resulting from the special treatment of various types of individual and corporate income and expenses in the federal tax laws.¹⁶ The federal tax system now offers 87 different types of tax credits, exclusions, deductions, deferrals, or preferential rates, resulting in about \$150 billion of "lost revenue" in FY 1979.¹⁷ It is commonly conceded that, "Many spending programs could be recast as tax expenditure programs, and the goals of most tax programs could be pursued through direct spending."¹⁸ Present tax expenditures cover virtually every sector of federal program activity, and they have been growing in dollar volume at a rate faster than direct federal spending.

The off-budget portion of the federal government's credit assistance programs and tax expenditures totals about \$221 billion. This amount equals nearly half again as much as total FY 1979 budget outlays.

IMPLICATIONS OF THESE FEDERAL GROWTH FIGURES

The federal government today is fundamentally larger than that which existed prior to the 1930s. It is big government, on a scale with big business, big labor, a large national population, and major foreign and domestic responsibilities. It has a large and sprawling organi-

Figures II-22—II-25. Recent Innovations in Federal Financing

Figure 22. Federal Transfer Payments to Individuals

Source: Appendix Table A-16.

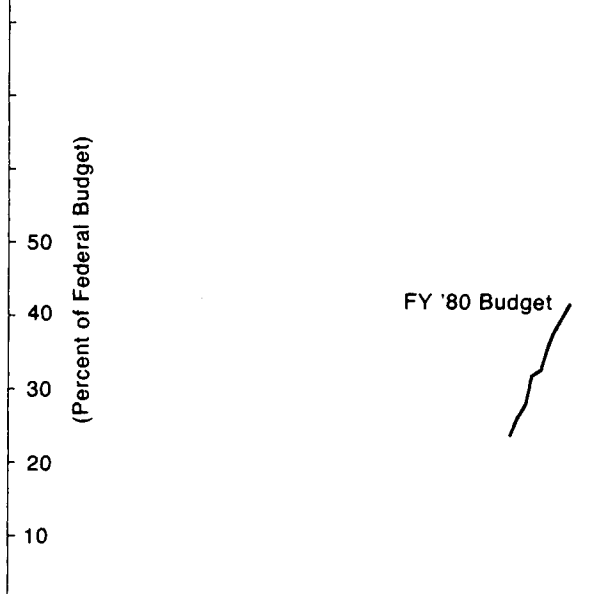


Figure 23. Federal Credit Assistance Outstanding

Source: Joseph Scherer, "How Big is Government?" *Challenge*, September-October, 1975, pp. 60-62.

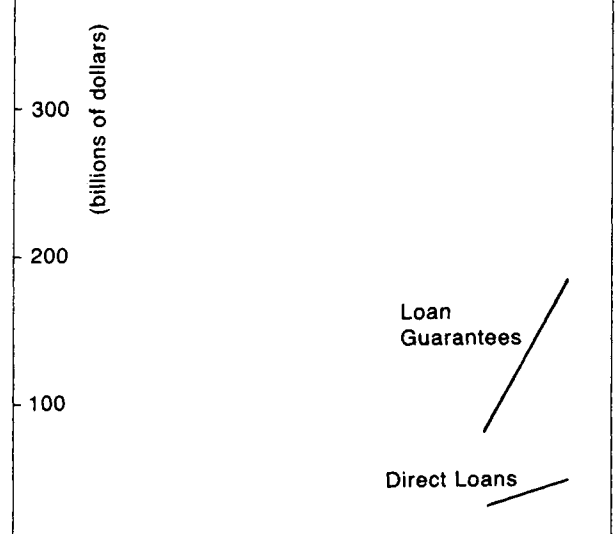


Figure 24. Annual Federal Participation in U.S.

Source: Appendix Table A-17.

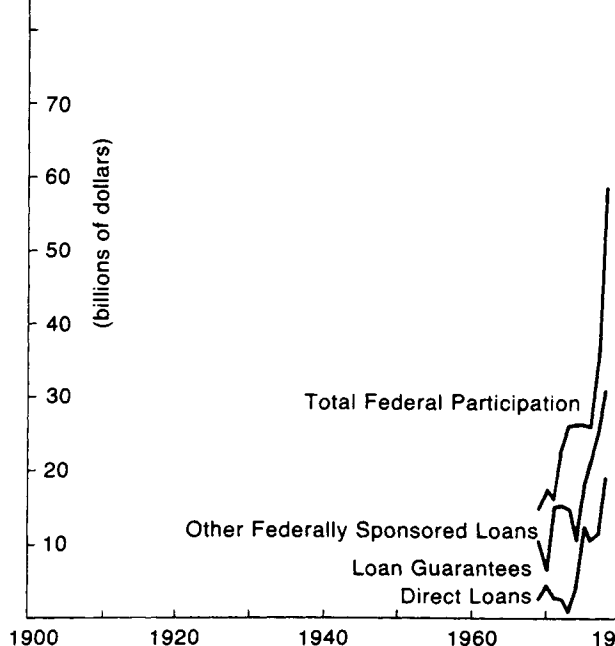
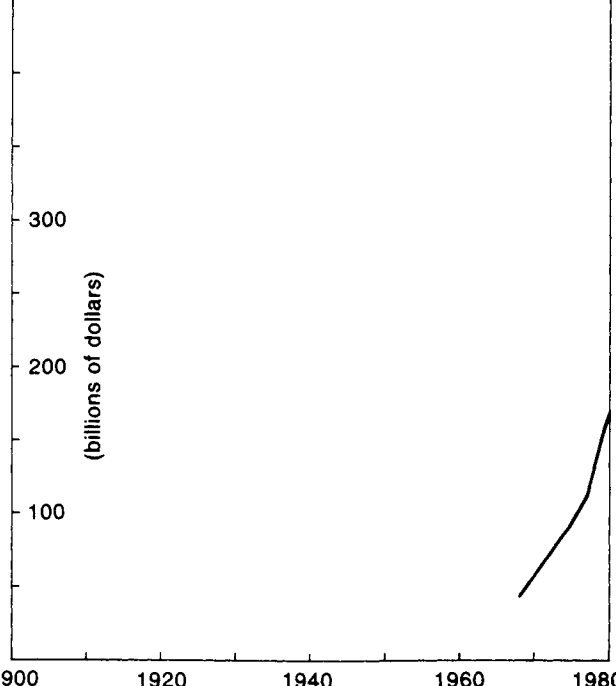


Figure 25. Federal Tax Expenditures

Source: Appendix Table A-18.



zational structure, a big work force, a big budget, and an influence on the nation much larger than reflected by the size of its budget or its bureaucracy. This results from the government's extensive and growing use of the techniques of regulation, transfer payments to individuals, off-budget credit assistance, tax expenditures, and federal aid to state and local governments (as well as to certain private organizations). These latter techniques of indirect governance have become particularly prominent since 1960. Along with a fundamental change in the scale of government—from small to large (rooted in the 1930s)—has come an even more fundamental change in the nature of federal activities (rooted in the 1960s).

Figure II-26 shows how federal purchases of goods and services (which indicate the direct operations of the federal government) have decreased over the past three decades as a percent of the total budget, while domestic transfer payments and grants-in-aid (representing federal financial influence on others, including substantial redistributions of funds and purchasing power) have grown. Table II-4 takes this analysis one step further by adding the federal government's off-budget financial activities. This shows that the federal government's direct operations account for only about 30% of its financial activities, while 70% of its effort finances the activities of others. Thus the same federal government that once devoted almost all of its attention to providing national defense, running the post office, conducting foreign affairs, and raising taxes through customs (as separate functions minimally affecting or affected by other levels of government and the private sector) now devotes more than two-thirds of its financing to shared functions, in which other levels of government, individuals, and the private sector have major roles as beneficiaries and/or cooperating partners. This change has developed over many decades, but the trend accelerated greatly in the 1960s and 1970s, and the predominance of shared functions and financial redistribution over direct operations is a recent occurrence.

This change in emphasis at the federal level—from direct service provider to banker, equalizer, regulator, and mobilizer of shared functions—helps to explain why federal employment has leveled off. Many of the activities

that the federal government is now conducting, or helping to accomplish, are not being done on the strength of the federal bureaucracy alone.

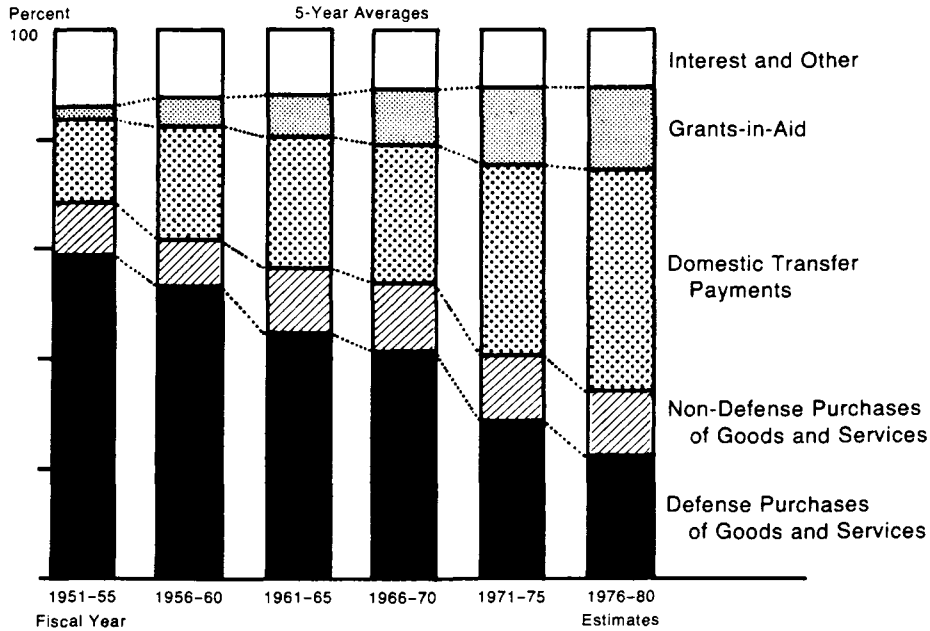
Figure II-27 shows the great extent to which federal employees are devoted to direct operations of the federal government, such as defense, postal services, and a portion of the Veteran's Administration program. This leaves a minority of federal employees to oversee the 70% federal financing devoted to other purposes.¹⁹

Table II-5 shows how these federal employees are supplemented by state and local government and private sector employees, whose salaries are paid indirectly by the federal government through grants and contracts, even though they remain primarily under nonfederal jurisdiction and guidance. Of course some of these supplemental personnel work on jobs designed to help the federal government in its own operations, but it is estimated that five million are working toward other shared objectives.²⁰ Thus the number of indirect federal "employees" working toward shared functions may approximately equal the total employees directly on the payroll plus those "indirect employees" engaged in federal operations. Because no precise figures are kept by the federal government with respect to this phenomenon, the estimates presented are only rough approximations. Nevertheless they hint at the emergence of a significant trend.

A final implication of these federal growth figures is that the federal government has grown so intertwined with state and local governments and the private sector that its budget and its program activities are no longer within its own control. Obviously whatever the federal government does affects the whole nation, not just the federal government. Others have come to depend on federal transfer payments, grants, contracts, or simply on the overall level of federal spending and its effect on the national economy. To the fundamental changes in the scale of the federal government and the nature of its activities must be added the fundamental change in its interdependence with the nation's other governments and the private sector.

The greatly broadened scope of federal activities that has developed over the past several decades, and the depth of these new inter-

Figure 26. Distribution of Federal Sector Expenditures by Category



Source: U.S. Office of Management and Budget, *Special Analysis, Budget of the United States Government, Fiscal Year 1980*, Washington, DC, U.S. Government Printing Office, 1979, p. 50.

Table 4.

FEDERAL FINANCIAL INFLUENCE, FISCAL YEAR 1979

(In billions of dollars)

	Types of Transactions		Amounts		
Federal Budget (69%) Off Budget (31%)	\$496	Purchases	\$166	} 499	Direct Federal Operations (30%) Federal Financial Benefits, Aid, and Incentives (70%)
		Interest and Other	52		
		Transfers	200		
		Grants	78		
	221	Credit Assistance	71		
		Tax Expenditures	150		
100%	\$717	Total Federal Financial	\$717	\$717	100%

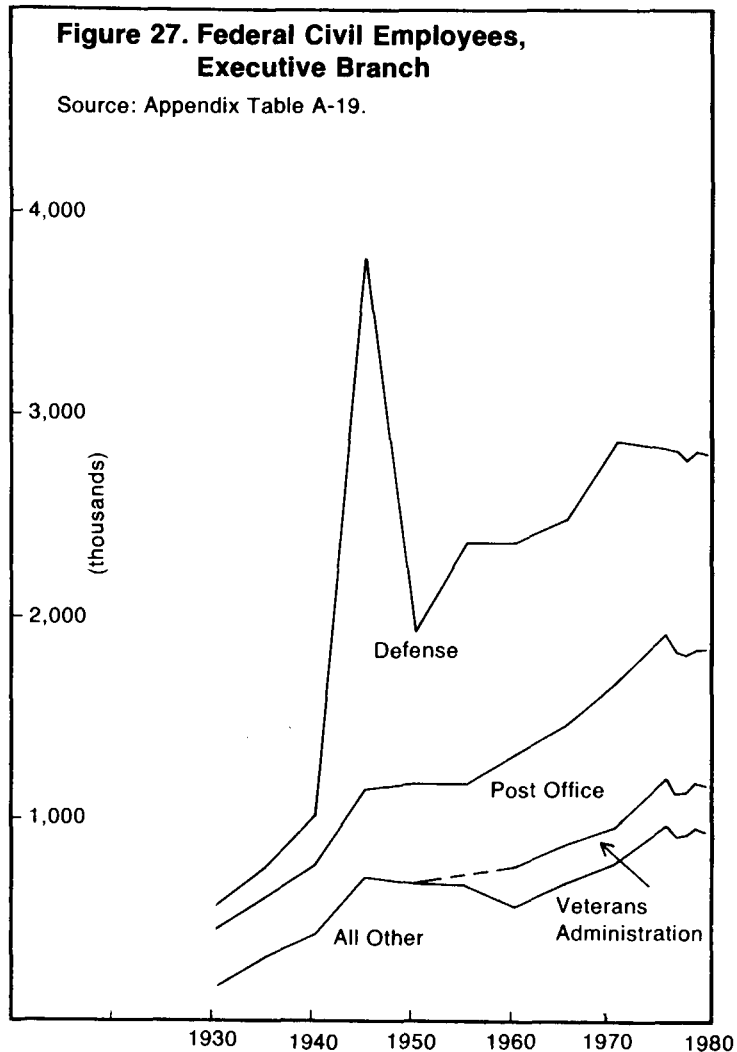


Table 5

THE 10 MILLION FEDERAL EMPLOYEES?

The first column of the table below shows the number of civilian employees on the payrolls of the departments and four major independent agencies in fiscal 1978. Nearly three million military and postal employees are excluded. The second column shows employees in the state, local and private sectors whose salaries were paid indirectly by the federal government through grants and contracts. The final column shows the number of these indirect employees who were doing work that the federal government needed for its own operations. The figures are in thousands of employees.

	Employees on the payroll	Indirect federal employees	Indirect employees doing federal work
Departments:			
Agriculture	85	88	88
Commerce	30	?	?
Defense	933	1,775	1,775
Energy*	19	109	109
HEW	144	1,044	95
HUD**	16	953	8
Interior	55	?	?
Justice	53	?	?
Labor	21	732	1
State	23	?	?
Transportation	71	?	?
Treasury	109	?	?
Agencies:			
EPA	10	?	?
GSA	35	?	?
NASA	23	101	101
Veterans Administration	198	?	?
Others	314	?	?
Total government	2,139	8,000***	3,000***

*represents only the Office of Industrial Affairs

**1977

***extrapolations based on agencies providing data

Source: Department and agency estimates.

dependencies, are examined more fully later. Before proceeding with those examinations, however, the overall size of the federal government needs to be looked at from the perspective of additional indicators that take into account the growth of the nation itself and of the other governments to which the national government is related.

RELATIVE INDICATORS OF FEDERAL GROWTH

Government, obviously, does not grow in isolation. It responds to real world conditions. Since its beginning the United States has been expanding its population, and throughout most of its history its economy also has enlarged rapidly. Recent decades have been characterized by substantial inflation, especially the 1970s. In addition technological advances, industrialization, and the post-industrial development of service industries have moved people out of agricultural settings into urban areas where they live more closely together, under altered life styles that create much greater social interdependence—and consequently, a larger role for government. Under these circumstances it would be very surprising if government did not grow. But the government expansion that is in response to growth in the population and economy, and to inflation, can be separated out statistically from the remaining growth that might be termed “real.”

This section presents data that draw these distinctions and that relate the growth in U.S. government to that in other nations; it also relates federal government expansion to that of state and local governments. For the most part, federal growth seems much smaller from this perspective.

Figure II-28 shows that the U.S. population has been increasing steadily throughout this century, and that the Gross National Product (GNP) (which measures the size of the total national economy) has been growing even more rapidly throughout most of this period in current dollars. Nevertheless when the GNP is adjusted to eliminate the effects of inflation (constant dollars), its rate of increase more nearly parallels that of the population. These trends will be reflected in later figures showing

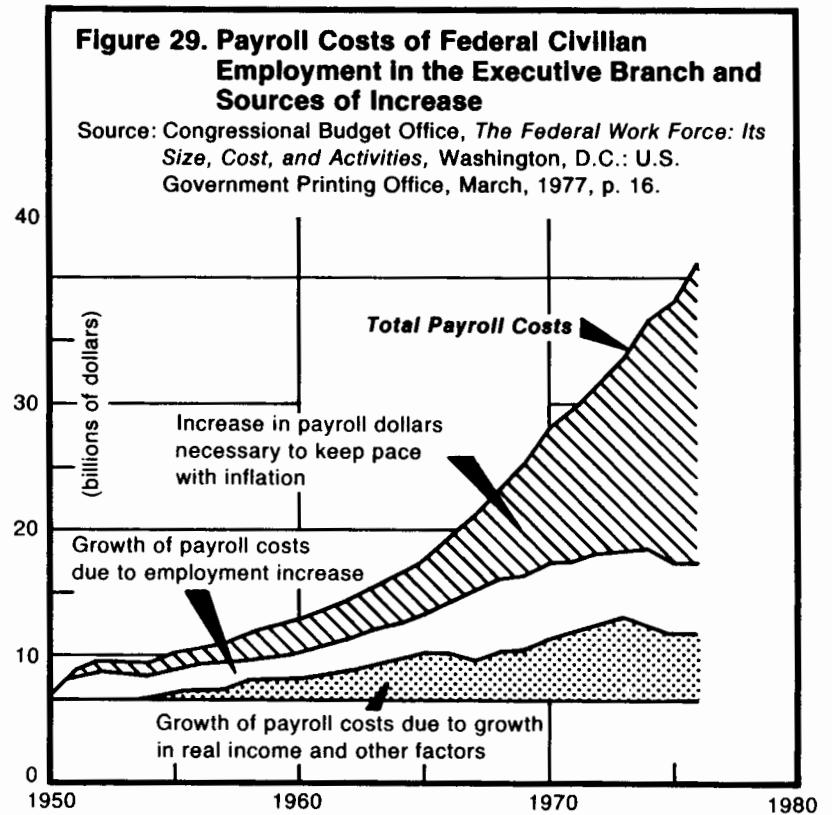
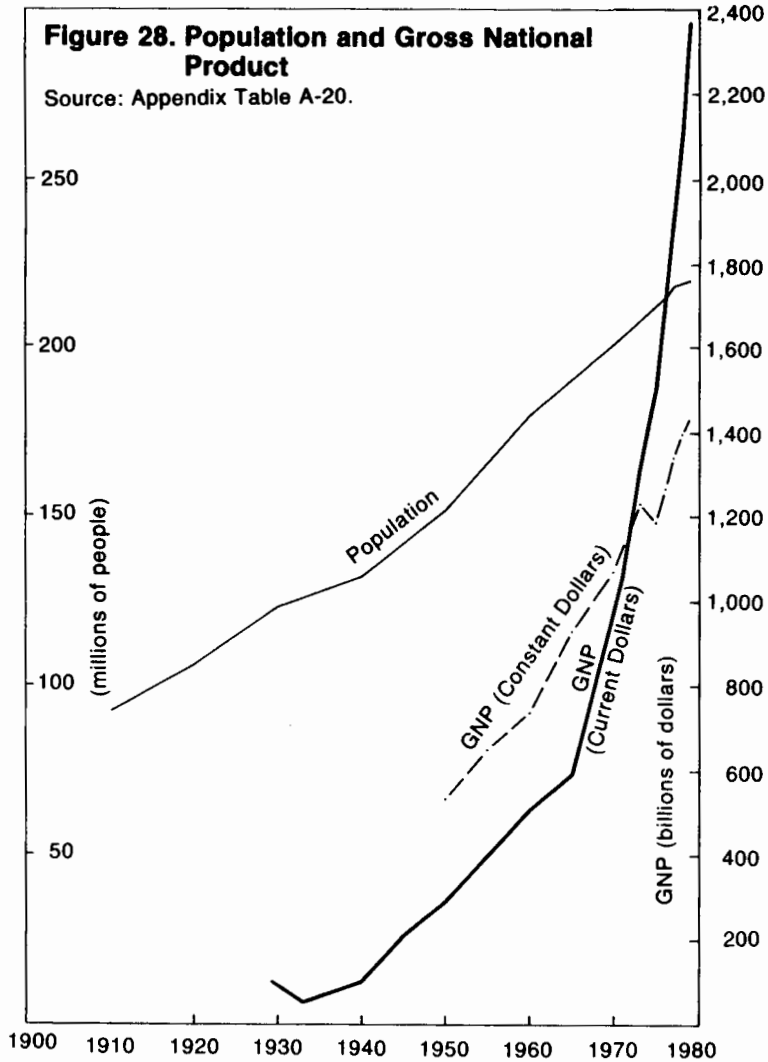
governmental expansion as a percentage of population and economic growth.

A further indication of the effects of inflation on government growth is shown in Figure II-29. Clearly by the mid-1970s inflation was by far the largest factor in the increase of federal civilian payrolls.

Figure II-30 shows how the growth of government in the United States (federal, state, and local combined) compares with government expansion in other major industrialized nations when measured by total governmental outlays in those nations as a percent of their gross domestic products. Only Japan—which has virtually no military establishment and uses its private business structure to meet social welfare costs to a much greater extent than other nations—devotes a smaller portion of its national output to governmental activities. Other nations (including Great Britain, France, Belgium, Canada, West Germany, Denmark, Italy, and Norway) consistently devote greater portions of their economy to government. In Norway this overage was more than 10 percentage points (or nearly one-third) greater than in the United States by 1973. Compared with other industrialized nations, America has shown constraint in the growth of its governmental sector since 1965.

Periods of Significant Growth

Figure II-31 depicts the periods of significant expansion for all the indicators of relative federal growth compiled for this study, going back to 1930.²¹ This figure reveals that the federal government has gotten bigger even when measured by indicators that have been adjusted to eliminate or reduce the effects of a growing population and a growing economy. It has increased in terms of revenues and expenditures, federal aid, federal debt, and federal employment. This figure also shows that the periods of major growth in these adjusted indicators have been in the past for the most part. Although rapid increases in several such indicators of federal expenditures and aid extend into the 1970s, they now appear (at least tentatively) to be slacking off, leveling out, or declining. Only two still show strong growth at the end of the decade—local dependence on federal and state aid (with state aid becoming an increasingly important part), and interest paid on federal



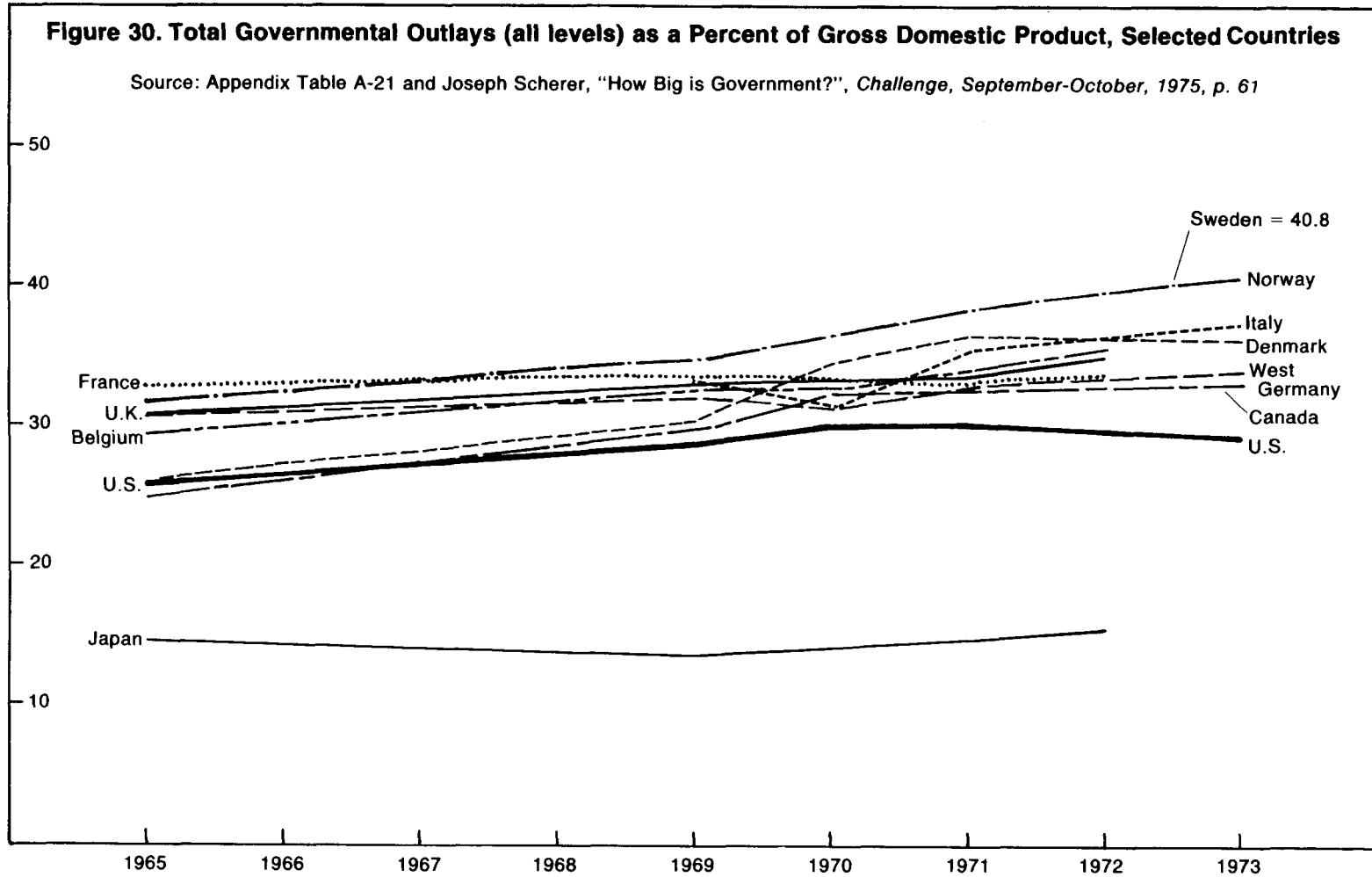


Figure 31. Periods of Significant Federal Growth in Relative Indicators

Revenues and Expenditures

- Federal Revenues as Percent of GNP (*Figure 32*)
- Federal Revenues as Percent of All Government Revenues (*Figure 33*)
- Federal Expenditures as Percent of GNP (*Figure 34*)
- Federal Expenditures as Percent of All Government Expenditures (*Figure 35*)
- Federal Expenditures Per Capita (*Figure 36*)
- Social Security Payments as Percent of GNP (*Figure 37*)

Federal Aid:

- Federal Payments to State and Local Governments as Percent of GNP (*Figure 38*)
- Federal Aid as Percent of State and Local Expenditures (*Figure 40*)
- Federal Aid in Constant Dollars (*Figure 41*)
- State Dependency on Federal Aid (*Figure 42*)
- Local Dependence on Federal and State Aid (*Figure 42*)
- Federal Aid as Percent of Federal Outlays (*Figure 39*)

Federal Credit Assistance and Debt:

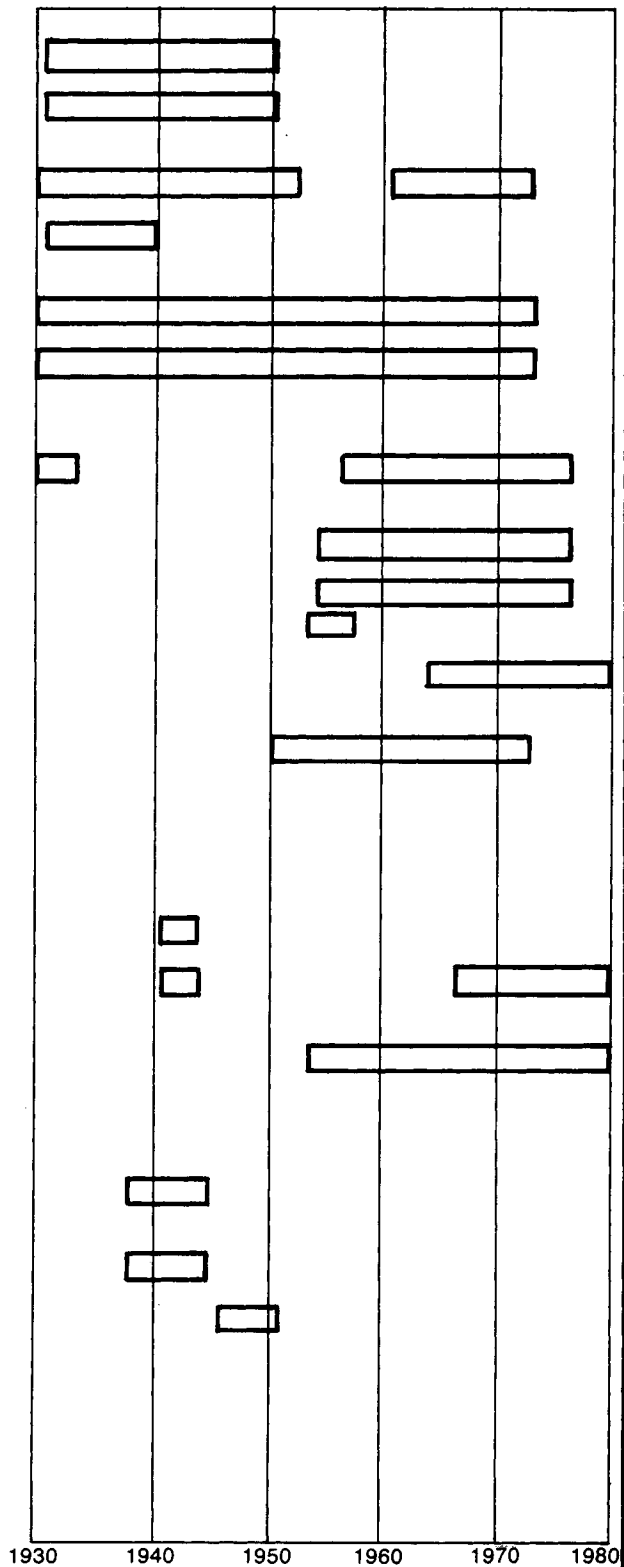
- Percent of Credit in U.S. Market Having Federal Participation (*Figure 44*)
- Federal Debt as Percent of GNP (*Figure 45*)
- Interest Paid on Federal Debt as Percent of GNP (*Figure 46*)
- Interest Paid on Federal Debt as Percent of Federal Expenditures (*Figure 47*)

Federal Employment:

- Government Labor Force (Federal, State, Local) as Percent of Population (*Figure 48*)
- Federal Employment as Percent of Labor Force (*Figure 49*)
- Federal Employment per \$1 million Outlays (*Figure 51*)

Federal Legislative Activity:

- Percent of House Bills and Resolutions Reported by Committees (*Figure 52*)
- Congressional Enactments (*Figure 52*)



debt as a percent of both federal revenues and GNP.

Examining the relative growth of the federal government by decades, *Figure II-31* shows that major growth in federal revenues, employment, and debt occurred mostly in the 1930s and 1940s. Federal expenditures also grew significantly in those decades, but continued into later periods—up until the mid-1970s. Federal aid was the big contributor to expansion in the latter decades, along with continued rises in Social Security payments and interest on the federal debt.

Of the 21 indicators presented, only ten showed rapid growth in the 1960–80 period, and only three continued to show rapid growth by 1980. A more detailed examination of these indicators follows.

RELATIVE GROWTH OF FEDERAL REVENUES AND EXPENDITURES

Figures II-32 and II-33 reflect a leveling off of federal revenues, both as a percentage of GNP and as a percentage of all government revenues—federal, state, and local. In other words state and local revenues (from their own

sources) now are rising faster than those on the federal level. This is in keeping with the peacetime trend throughout the 20th century. The rate of federal revenue growth has outstripped state-local growth only during wartime (as shown in *Table II-6*).

On the expenditure side (see *Figures II-34–37*), similar trends are noted, but with some modifications. Federal expenditures as a percent of GNP (*Figure II-34*) leveled off from the mid-1950s to the mid-1960s, but grew moderately again in the latter 1960s and early 1970s, peaking in 1975 before they began to decline. Deficit spending and countercyclical policy objectives (aimed at controlling unemployment and inflation in the national economy) account for this departure from the federal revenue trend (compare *Figure II-34* with *Figure II-32*).

Federal expenditures as a percent of all government expenditures (federal, state, and local) follow almost the same trend as was found on the revenue side (compare *Figure II-35* with *Figure II-33*).

Federal expenditures per capita (in constant dollars) continued to grow rather rapidly until the mid-1970s, when they began to level off

Table II-6
RATE OF REVENUE INCREASE AND DECREASE OF FEDERAL AND STATE/LOCAL GOVERNMENTS IN PEACETIME AND WARTIME, SELECTED PERIODS, 1902-72

Fiscal Period	Federal Government	State and Local Governments (from own sources)	GNP
Peacetime			
1902-16	+ 53%	+ 188%	+114%
1920-40	- 5	+ 170	+ 8
1945-72	+314	+1032	+421
Wartime			
1916-20	+640%	+ 33%	+ 99%
1940-45	+671	+ 30	+122
Exhibit: Breakdown of Post-World War II Period			
1945-50	- 19%	+ 65%	+ 25%
1950-53	+ 71	+ 32	+ 36
1953-72	+201	+ 419	+207

SOURCE: Reproduced from Roger A. Freeman, *The Growth of American Government*, Stanford, CA, Hoover Institution Press, Stanford University, 1975, p. 217.

Figures II-32—II-37

Relative Growth of Federal Revenues and Expenditures

Figure 32. Federal Revenue as a Percent of GNP

Source: Appendix Table A-1.

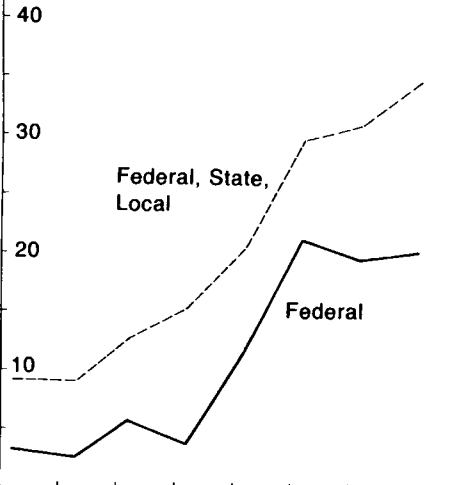


Figure 34. Federal Expenditures as a Percent of GNP

Source: Appendix Table A-2.

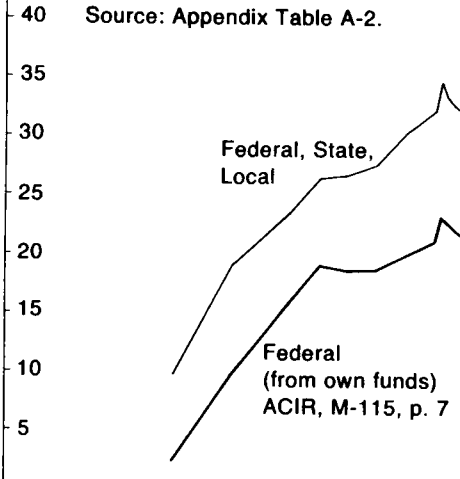


Figure 36. Federal Expenditures Per Capita From Own Funds

Source: Appendix Table A-2.

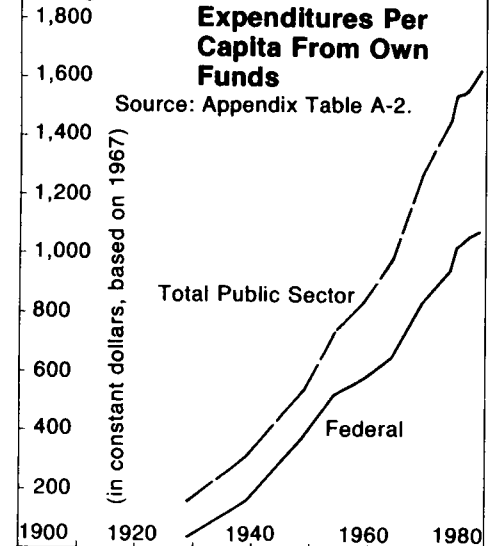


Figure 33. Federal Revenues as a Percentage of all Government Revenue

Source: Appendix Table A-1.

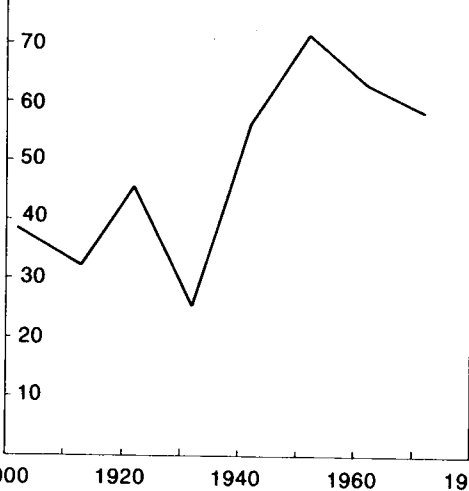


Figure 35. Federal Expenditures as a Percent of All Government Expenditures

Source: Appendix Table A-2.

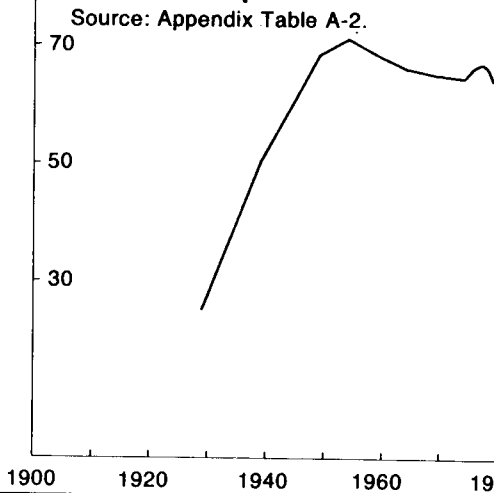
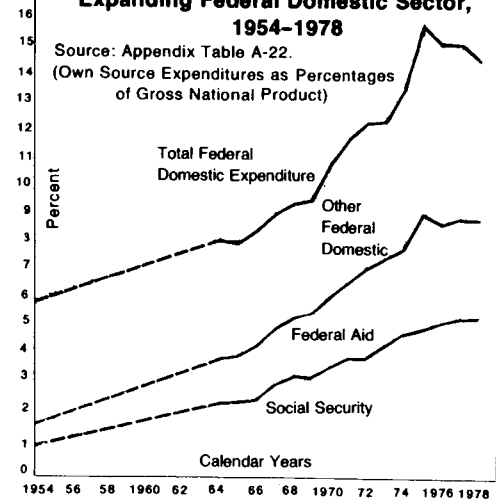


Figure 37. Social Security and Federal Aid Emerge as the Fastest Growing Components in Our Steadily Expanding Federal Domestic Sector, 1954-1978

Source: Appendix Table A-22.
(Own Source Expenditures as Percentages of Gross National Product)



(see *Figure II-36*). Nevertheless compared with federal, state, and local expenditures per capita (in constant dollars), the federal portion began to grow at a slower rate in the mid-1950s. The total for all governments was continuing its rapid rise at the end of the 1970s. These trends (in *Figure II-36*) are shown in constant dollars to eliminate the effect of inflation. As *Figure II-37* shows, the growth in Social Security and federal aid have been the major factors raising total federal domestic expenditures.

RELATIVE GROWTH OF FEDERAL AID

Federal payments to state and local governments as a percent of GNP peaked in the 1930s as GNP bottomed out, and again in the late 1970s as a result of the rapid growth of federal aid programs. *Figure II-38* shows these peaks.

Figure II-39 reveals that federal aid grew as a percentage of federal outlays, both in terms of the domestic sector and total. But *Figure II-40* demonstrates that federal aid increased even more rapidly as a percentage of state and local expenditures. Both of the figures indicate that federal aid has begun to level off or decrease in relative terms, however, as the 1970s ended. This is confirmed by *Figure II-41*, which shows a late 1970s drop in the constant dollar value of federal aid. *Figure II-42* discloses that the growth of federal aid had its biggest impact on state government in the late 1950s, but the local impact was delayed until the mid-1960s and 1970s. These trends reflect a mixture of: (1) improved state revenue capacity, (2) increased federal aid going directly to local governments or having a required pass-through from the states to localities, and (3) weakened revenue capacities at the local level. *Figure II-43* shows the growing importance of state aid in the overall mounting reliance of local governments on outside aid. Thus even as the real buying power of federal aid begins to slacken, local dependence on outside aid (from all sources, including a large state component) continues its rapid rise.

RELATIVE GROWTH OF FEDERAL CREDIT ASSISTANCE AND DEBT

Despite the very significant increases in federal loans and loan guarantees in the 1970s (noted earlier), the total credit market in the

United States (including corporate and consumer borrowing) is so large, and expanding so rapidly, that there is no clear trend in federal participation in this market when measured as a percentage of total public and private borrowing (see *Figure II-44*).

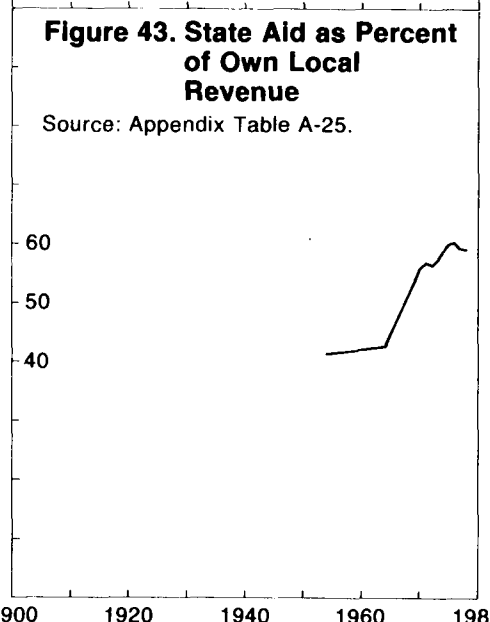
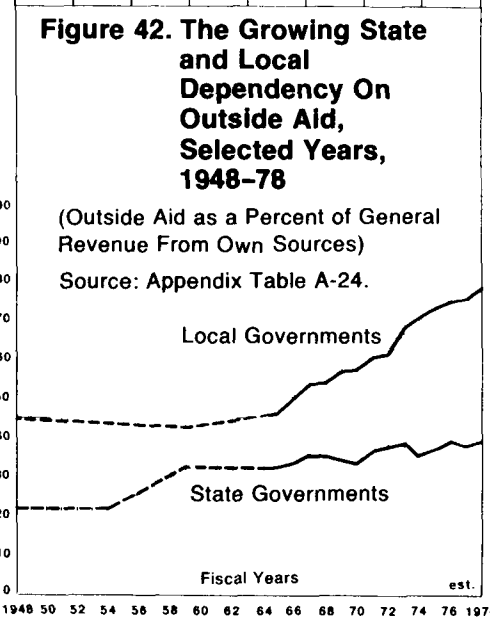
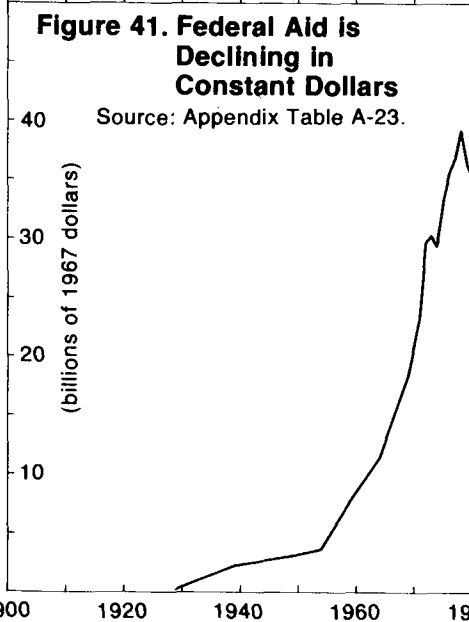
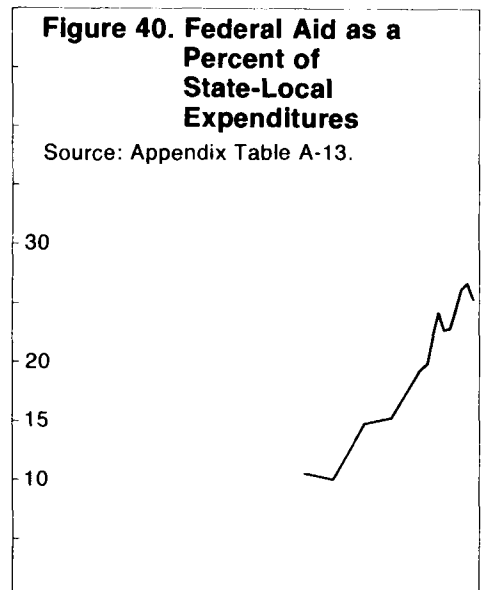
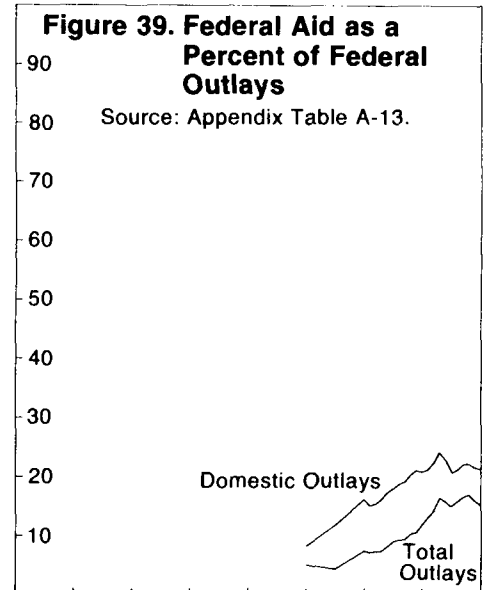
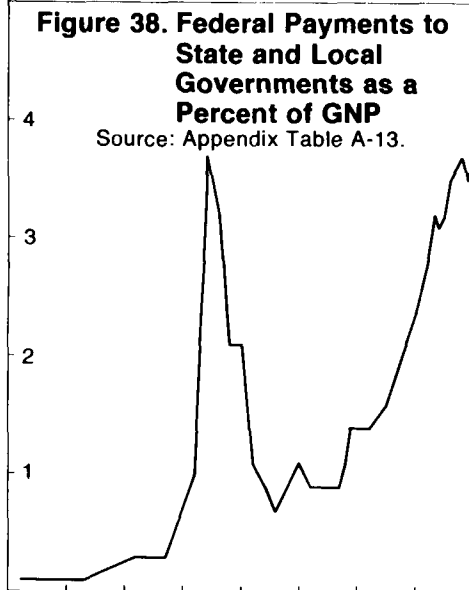
With respect to the federal government's own borrowing, *Figure II-45* indicates that federal debt (as a percentage of GNP) has been decreasing and leveling off since about 1945. While federal interest payments on this debt (as a percent of GNP) also declined for awhile, *Figure II-46* shows that they have been increasing rapidly since the mid-1960s, as interest rates have climbed. *Figure II-47* confirms this rise with interest payments increasing as a percentage of the federal government's own general revenues. Moreover these payments are becoming a somewhat larger portion of the federal budget. By contrast state and local interest payments began to level off in the 1970s. At least part of this difference stems from the pay-as-you-go nature of state and local governments, in contrast to the purposeful deficit spending of the federal government for economic stabilization and other purposes.

RELATIVE GROWTH OF FEDERAL EMPLOYMENT AND LEGISLATIVE ACTIVITY

Figure II-48 shows that total government employment in the United States (federal, state, and local), measured as a percent of population, increased very slowly until the 1940s, and then rose rapidly until the early 1950s, when it resumed a very slow rate of growth. *Figure II-49* indicates that the federal portion of the rise in the nation's total labor force has been relatively constant (except for the years of World War II), while the state-local portion has been increasing steadily.

By a somewhat different measure (employment per 1,000 population), *Figure II-50* reflects a slow decrease in federal civilian jobs in recent years, along with a more erratic decline in total (civilian plus military) federal employment. At the same time state and local employment per 1,000 population has been increasing at ever more rapid rates throughout this period. Total (federal, state, and local) employment dropped, by this measure, until about 1960, then increased rapidly through the

Figures II-38—II-43
Relative Growth of Federal Aid



Figures II-44—II-47.
Relative Growth of Federal Credit Assistance and Debt

Figure 44. Percentage of Credit in U.S. Market Having Federal Participation

Source: Appendix Table A-17.

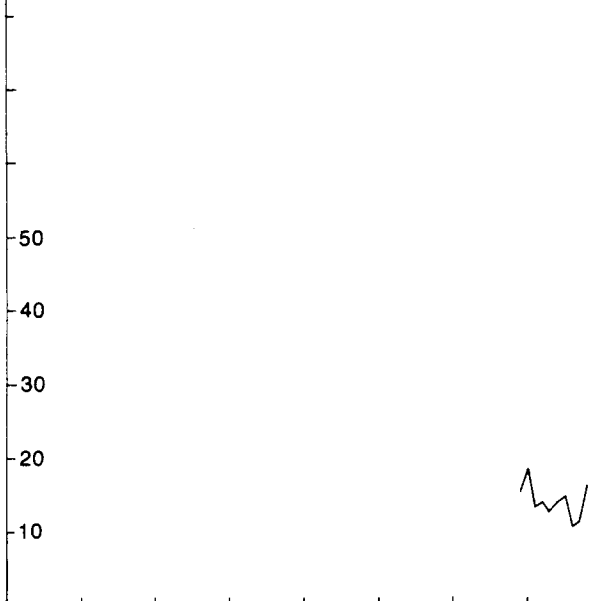


Figure 45. Gross Federal Public Debt as Percent of GNP

Source: Appendix Table A-26.

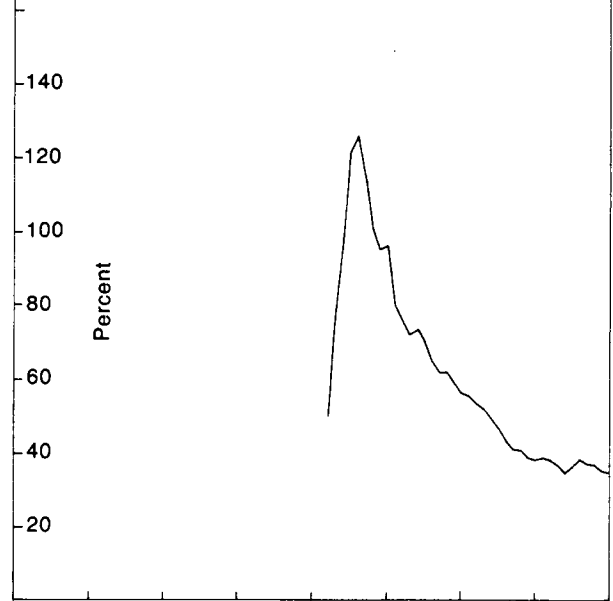


Figure 46. Interest on Public Debt as Percent of GNP

Source: Appendix Table A-26.

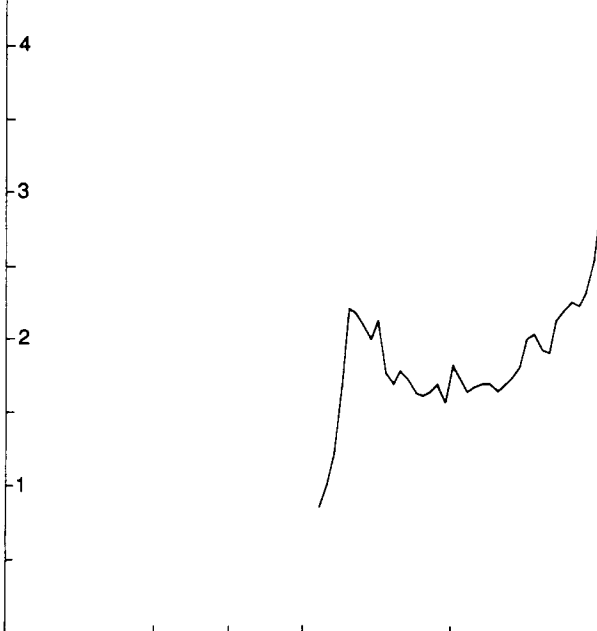
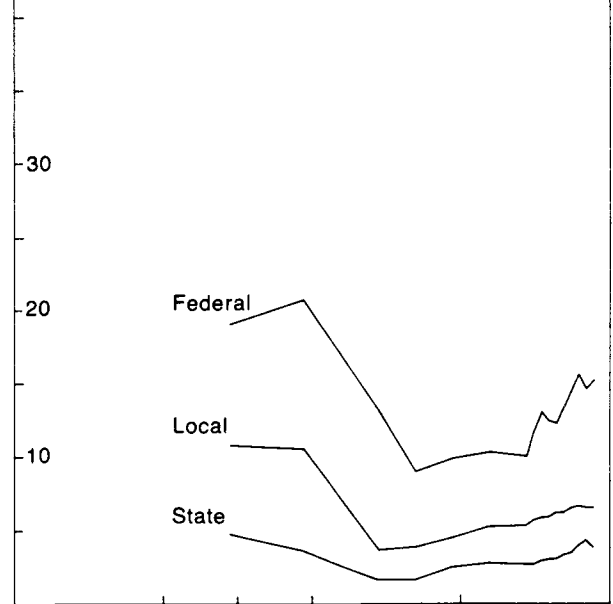
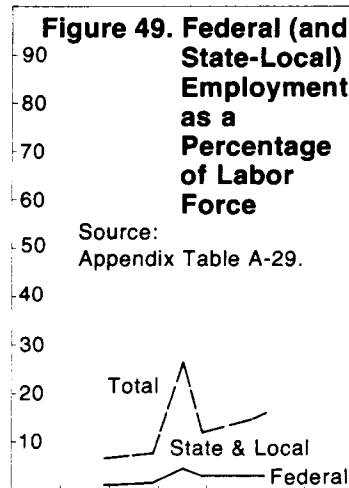
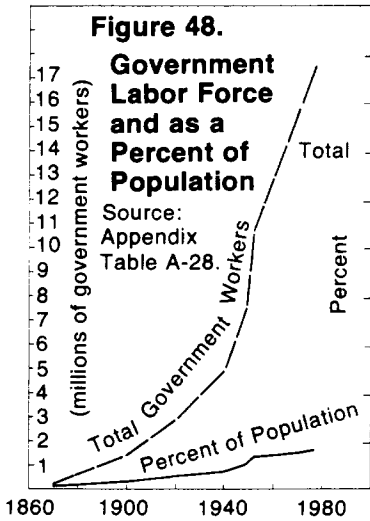


Figure 47. Government Interest Payments on Debt as Percent of Own Revenue Source

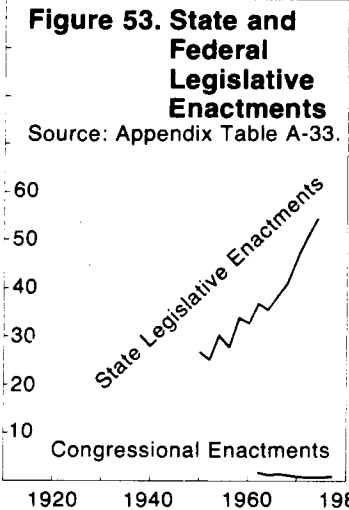
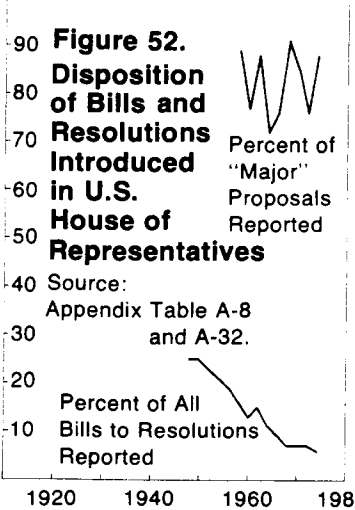
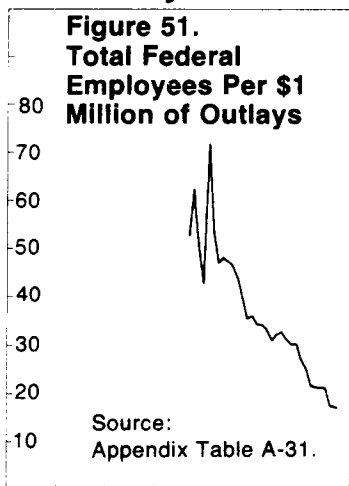
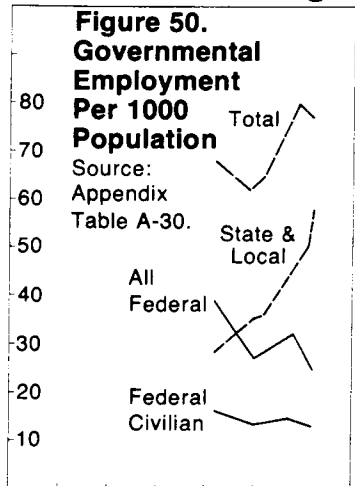
Source: Appendix Table A-27.



Figures II-48—II-53
Relative Growth of Federal Employment. . .



and Legislative Activity



1960s, only to decrease again as the Viet Nam War ended.

Figure II-51 shows one additional measure of federal employment—the number of federal employees per \$1 million of federal outlays. By this measure federal employment has been decreasing rapidly since the early 1950s, reflecting the growing emphasis in the federal budget on: (1) grants and other forms of assistance to state and local governments, and (2) payments to individuals (like Social Security) which are essentially check-writing activities. Because of the relative roles of the federal, state, and local governments, actual service delivery is concentrated at the local levels, and financial and regulatory responsibilities more frequently are retained at the upper levels. Local governments, as a consequence, are more labor-intensive than state governments, and state governments are more labor-intensive than the federal government.

Figures II-52 and II-53 show the output of Congress in contrast to how busy it is, as depicted earlier by the rapid increase in Congressional staff (Figure II-8), the rising number of bills and resolutions introduced (Figure II-9), and the increased number of committee meetings and hours in session of both the House and the Senate (Figure II-10). Congress is in session virtually year round now, with shorter breaks than in earlier years. Nevertheless Figure 52 shows that about the same percentage of major legislative proposals is being reported out of committee, and the percentage of all bills and resolutions reported has been steadily decreasing since 1950.²² Figure II-53 shows that Congressional enactments also have been slowly decreasing, while legislative enactments by the state governments have been increasing rapidly. Of course it should be recognized that major Congressional legislation now is frequently in the form of highly complex and long omnibus acts which cover what might have been several laws earlier, and Congress' important investigatory and legislative oversight functions are demanding increased time and attention without necessarily increasing the output of laws. Some also would argue that what the nation needs is fewer laws, not more. Thus legislative restraint by Congress may be viewed as a positive contribution in some cases.²³

SUMMARY OF RELATIVE FEDERAL GROWTH FIGURES

By the late 1970s almost all of the indicators of relative federal financial and employment growth were slacking off, leveling out, or declining. At the same time similar indicators of state and local activities continued to climb. The private sector remains larger in the United States than in most comparable nations. In the past two decades, the federal government has moved rapidly to provide financial assistance to state and local governments and payments to individuals, and the basic governmental work force increasingly is located in the state and local governments. These trends suggest that the federal government with all its recent growth, may be entering a period in which growth according to the traditional measures will be much slower. As will become apparent, however, the federal government's scope of activities and depth of influence are continuing to expand significantly.

THE SCOPE OF FEDERAL ACTIVITIES

As has been shown, the federal government has grown very large and become a powerful influence—even beyond what might have been expected from the size of its budget and its bureaucracy. This growth has been especially rapid in recent decades. Nonetheless when this growth is measured by indicators that take into account the increased size of the population, the economy, and other levels of government, federal expansion has not been quite so startling, and now appears to be slowing, leveling off, or even declining in certain respects. This suggests the possibility that a maturing process may be taking place. One way to explore this possibility further is to examine the growth of individual federal functions.

The federal government has expanded substantially its scope of activities by enacting new programs, by spending more on them—in direct expenditures and income transfers as well as in federal aids—and by expanding the scope of its regulatory activities. The early years were devoted primarily to defense and foreign affairs, to raising revenues, and to providing postal services, but now the federal government pursues a broad and varied set of ac-

tivities that leaves few, if any, concerns of its citizens unattended.

In expanding the functional scope of its activities, the federal government appears to be following the general pattern evidenced by European and other western-style democracies, as they have developed over the past 130 years. In a detailed study of 32 such nations from 1848 until recent times, Richard Rose has shown that these nations tend to work successively toward three goals (which he calls Stages I, II, and III). These are: (I) to secure their existence as a nation, (II) to mobilize their physical resources for economic development, and (III) to provide social benefits for their citizens.²⁴ These constitute stages of development to be achieved sequentially in the order named.

Certainly the early history of the federal government, cited above, indicates that it overwhelmingly was concerned with defense, foreign relations, establishing a capital city, and caring for its policymaking machinery—clearly ensuring its own existence, as would be expected in Stage I. Later years brought emphasis upon westward expansion, coastal and inland waterways, encouragement to the railroads, assistance in developing a national highway system, and (later, after the technology had developed) assistance in developing a national airport system. Only in recent decades (since the 1930s) have Stage III concerns such as income security, housing, health, and education received major attention at the federal level. Figure II-54 shows how the creation of departments in the federal government generally has followed this three-stage pattern.

As Rose points out in the case of 32 nations, these stages are cumulative. New functions are added, while old functions are retained. Thus the proportional emphases among programs shift.

RECENT PERIODS OF PROGRAMMATIC EXPANSION

The periods of programmatic expansion by the federal government since 1940, for a number of major functional areas, are summarized in Figure II-55.²⁵ Income security programs and the social insurance receipts to pay for them (a major part of the income redistribution function) are the only ones that con-

tinued to increase substantially throughout this whole period. Defense and veterans' benefits had some growth periods in the 1940s and 1950s, but since have been in decline as a percent of total federal outlays. Commerce and transportation outlays have not been increasing as a percent of total outlays, although there were brief periods of relative growth in highway grants. Federal aid for agriculture has decreased in relative terms. Economic regulation, as measured by the creation of new federal regulatory agencies, has not expanded rapidly since the early 1940s. In summary the indicators of Stage I and Stage II have not been the big gainers in the 1940-80 time span.

Augmenting the steady rise of income security programs throughout this time have been more recent periods of growth in educational and health outlays by the federal government. Federal aid also expanded most rapidly in the 1960s and 1970s in the fields of education, training, employment, social services, health, general fiscal assistance, community and regional development, and environmental protection. Most of the growth in federal regulatory agencies has been in the health, safety, and social equality areas. This regulatory expansion has been backed up by very substantial increases in the funding of these regulatory agencies in the late 1970s. By most measures, therefore, Stage III activities have been the big gainers in recent decades.

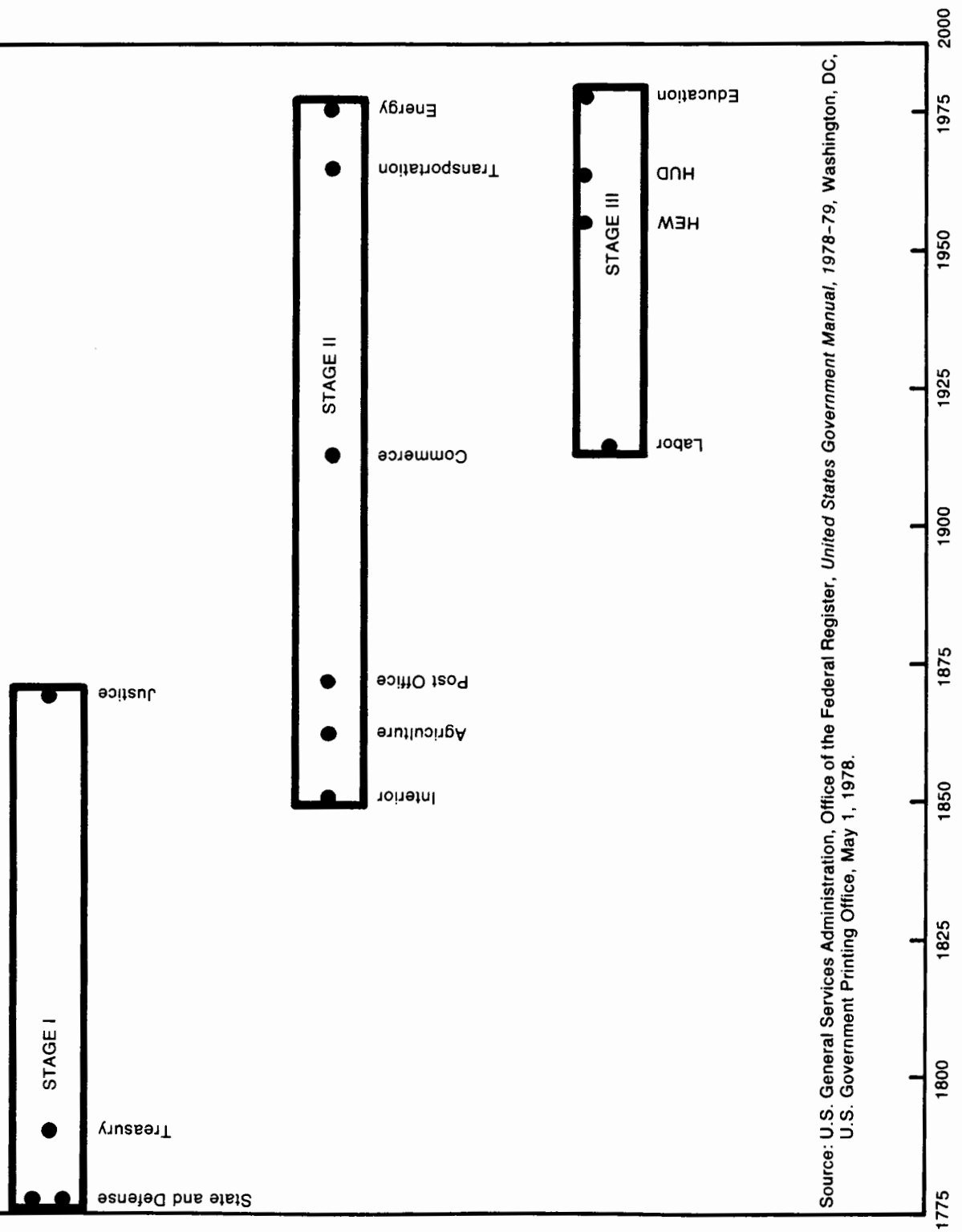
Only in federal employment is the picture more mixed—largely because of the steady reliance upon state and local bureaucracies for a range of aided program activities. All functions (whether typical of Stages I, II, or III), however, showed some increases during part of the period.

Overall it is clear from Figure II-55 that the federal government now is performing or assisting major functions related to all three stages of growth, and that much of the Stage III growth occurred in recent decades—especially in the 1960s and 1970s.

Shifting Federal Budget Priorities

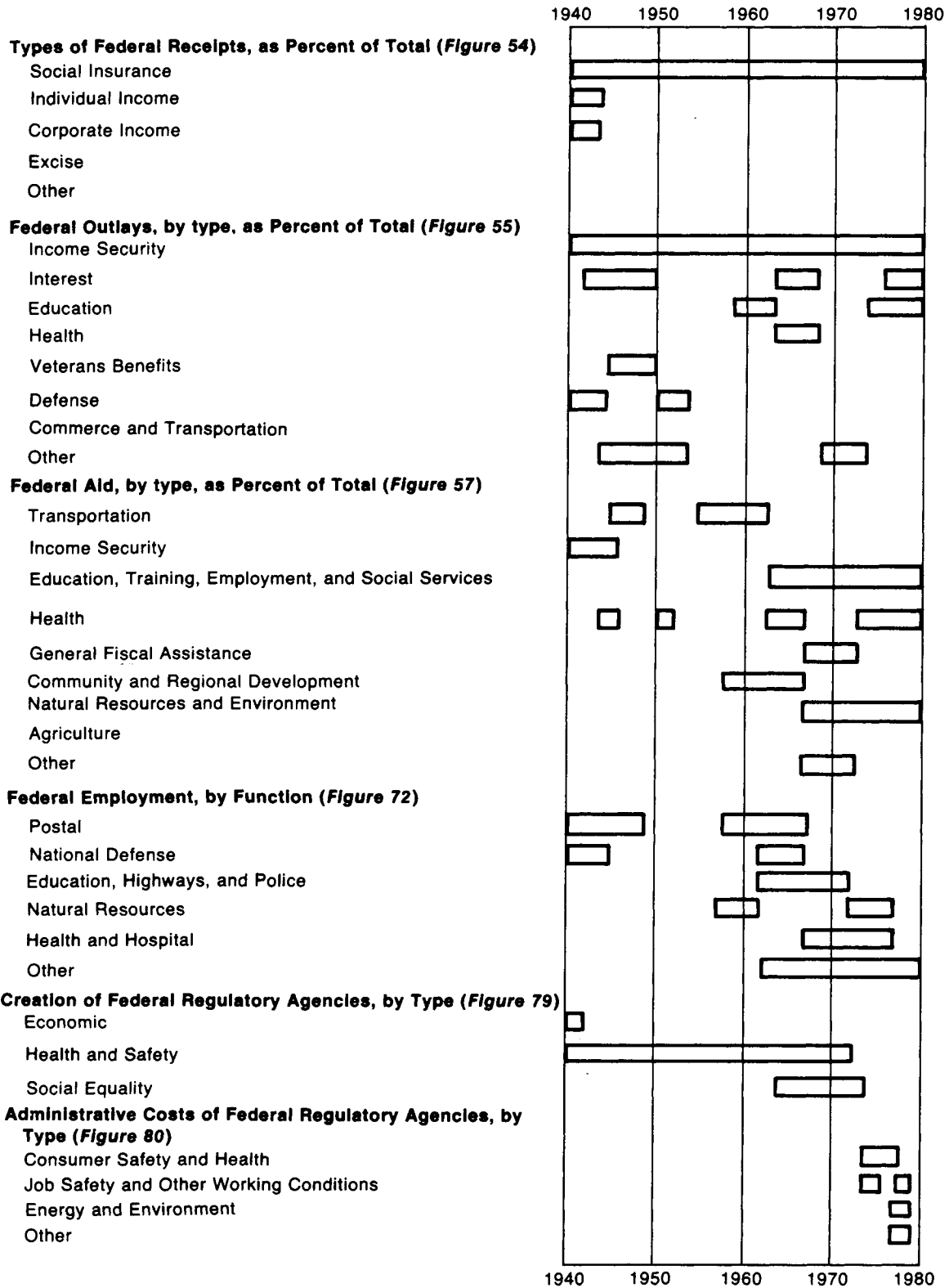
The results of these programmatic shifts show up dramatically as changing priorities in federal budgets over the past 25 years (Figures II-56 and II-57). As a percentage of the total

Figure 54. Creation of Federal Departments



Source: U.S. General Services Administration, Office of the Federal Register, *United States Government Manual, 1978-79*, Washington, DC, U.S. Government Printing Office, May 1, 1978.

Figure 55. Periods of Major Federal Program Expansion, by Sectors



Shifting Priorities in Federal Budgets

Elements of income and spending as percentages of budgets

Figure 56. Receipts

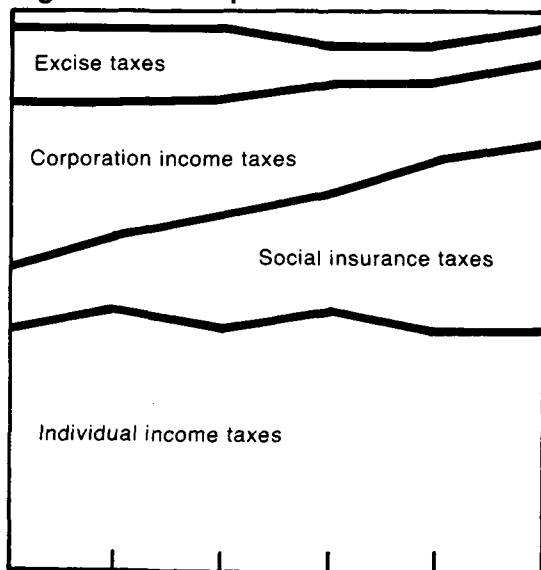
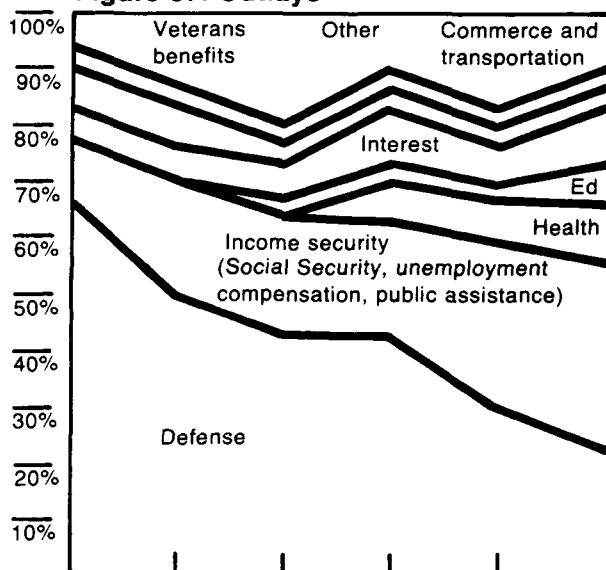


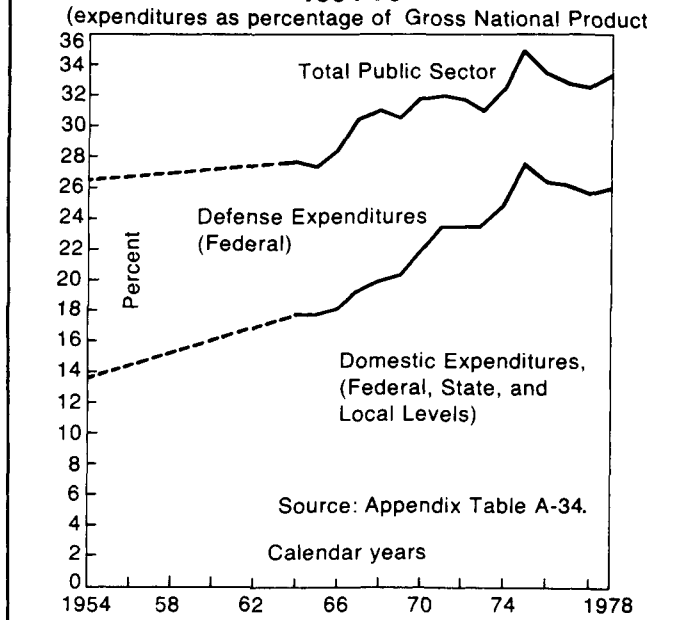
Figure 57. Outlays



By reading across the squares, one can see how various elements in the budget have grown or diminished over the years. For example, social insurance taxes have increased markedly as a source of income, while corporation income taxes have provided less and less a share of all receipts. It can also be seen that the defense share of all outlays has been more than halved since 1954, while income security, health, and education have grown steadily as objects of spending. (Unlike those shown in the budget-dollar chart, receipts in this case do not take account of the borrowing necessary for deficit spending.)

Source: Office of Management and Budget, as reported in *The New York Times*, January 24, 1978, p. 13.

Figure 58.
The Growing Domestic Public Sector—
The Relative Decline in Defense Expenditure,
1954-79



Source: Appendix Table A-34.

Calendar years

budget, defense spending has dropped from nearly 70% to only a little over 20%. At the same time the combined expenditures for income security, health, and education have increased from about 10% to about 50% of all outlays. *Figure II-58* shows that all levels of government combined (federal, state, and local) spend about 27% of the GNP for domestic programs, as compared to 7% for defense.

Shifts in the Composition of Federal Aid

A similar program diversification has occurred among federal grants. Dominated to the extent of almost 80% by transportation and income security programs in the late 1950s, the grant system became much more diversified by the late 1970s. As *Figure II-59* indicates income security and transportation programs together—while still growing, themselves—had fallen below a 30% share of all grants by 1976, while the social benefit programs (including health, education, training, employment, and social services) had grown to over 40% of the total.

Table II-7 shows the budget functions with big money grant programs (over \$1 billion each) as they have developed since 1950. In 1950 only income security was in the big money category. By 1960, only one other functional assistance category had reached the \$1 billion level—commerce and transportation, due primarily to the interstate highway program. By 1970 three more had reached this size: (1) education, training, employment, and social services; (2) health; and (3) community and regional development. By 1975 two additional functional classifications had been added: (1) revenue sharing and general purpose fiscal assistance; and (2) natural resources, environment, and energy.

Figure II-60 shows a similar diversification in the use of federal loan guarantees. The almost complete dominance (97.4%) of this form of aid in 1950 by the U.S. Department of Housing and Urban Development (HUD) and Veterans Administration programs had been reduced to about a two-thirds share by 1979 as significant programs had been added by the Export-Import Bank, the U.S. Department of Agriculture, the Small Business Administration, and HEW.

The Significance of Federal Aid in Major Functions

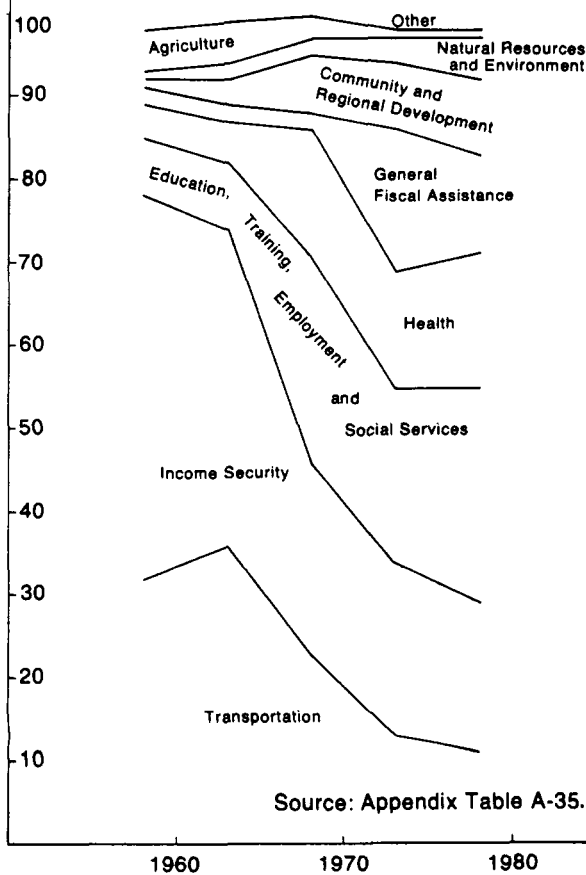
Figure II-61 through *II-72* show the federal share in a number of individual functions. This federal share is measured in two different ways in these figures. First, expenditures for four functions (education, health, social welfare, and income maintenance) by the private, federal, and state-local sectors are compared. Then, for these same four functions plus four additional ones (highways, airports, natural resources, and housing and urban renewal), the significance of federal grants as a percentage of total state-local expenditures (from own sources) for the functions is shown. Although this second type of measure provides only fragmentary indications (excluding direct federal expenditures), it highlights the intergovernmental influence of the federal government on the state-local sector.

Of the functions for which figures are provided, the federal government plays a dominant role in only two—income maintenance and housing and urban renewal. In the case of income maintenance (which includes private pensions and related benefit programs as well as social security, public assistance, and related cash benefit welfare programs), the federal government dominates all three spending sectors, and its grants approximately equal state-local own source expenditures. By comparison the more broadly defined function of social welfare (which includes the whole array of health, education, and welfare service programs in addition to income maintenance) shows relatively equal participation by the federal, state-local, and private sectors. Federal grants within this broader definition are equal to roughly half of state-local expenditures, and they are rising.

The other function in which the federal government shows some dominance—housing and urban renewal²⁶—is measured only by federal grants. These have grown very rapidly in recent years, and by 1977 funded about 85% of the amount spent by state and local governments from their own funds. Of course the public sector is dwarfed by the private sector in this functional area.

In the other activities the federal government's role (both in total expenditures and in

Figure 59. Percentage Distribution of Federal Grants, by Function



**Table 7
Grant-in-Aid Outlays of \$1 Billion or More, by Function, Selected Years, 1950-80**

(millions of dollars)

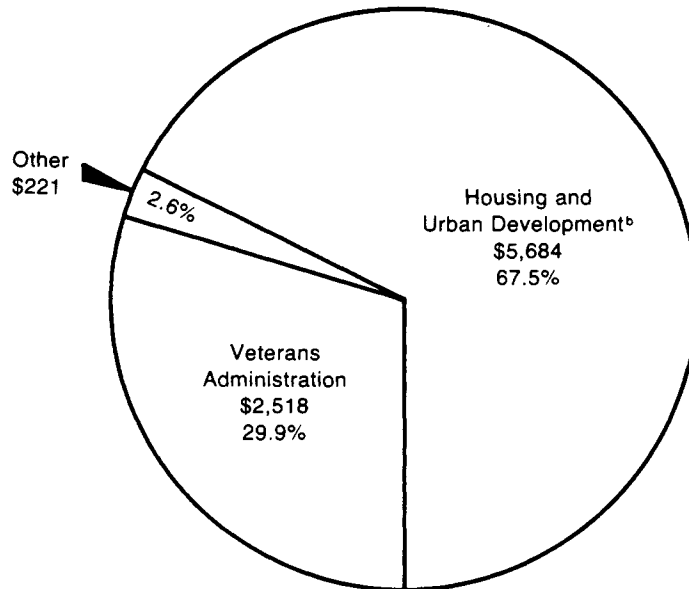
Function	1950	1955	1960	1965	1970	1975	1980
Income Security	\$1,335	\$1,715	\$2,648	\$3,530	\$5,813	\$9,279	\$18,364
Commerce and Transportation	-	-	3,001	4,100	4,545	5,872	11,520
Education, Training, Employment and Social Services	-	-	-	-	5,745	11,638	21,865
Health	-	-	-	-	3,831	8,810	16,209
Community and Regional Development	-	-	-	-	2,428	3,335	5,786
Revenue Sharing and General Purpose Fiscal Assistance	-	-	-	-	-	6,971	8,763
Natural Resources, Environment, and Energy	-	-	-	-	-	2,479	5,293
Total	\$2,253	\$3,207	\$7,020	\$10,904	\$24,018	\$49,723	\$88,945

Source: Office of Management and Budget, "Federal Government Finances," unpublished tables, January 1976, pp. 51-53, and 1981 Budget, Special Analysis 1-1, p. 251.

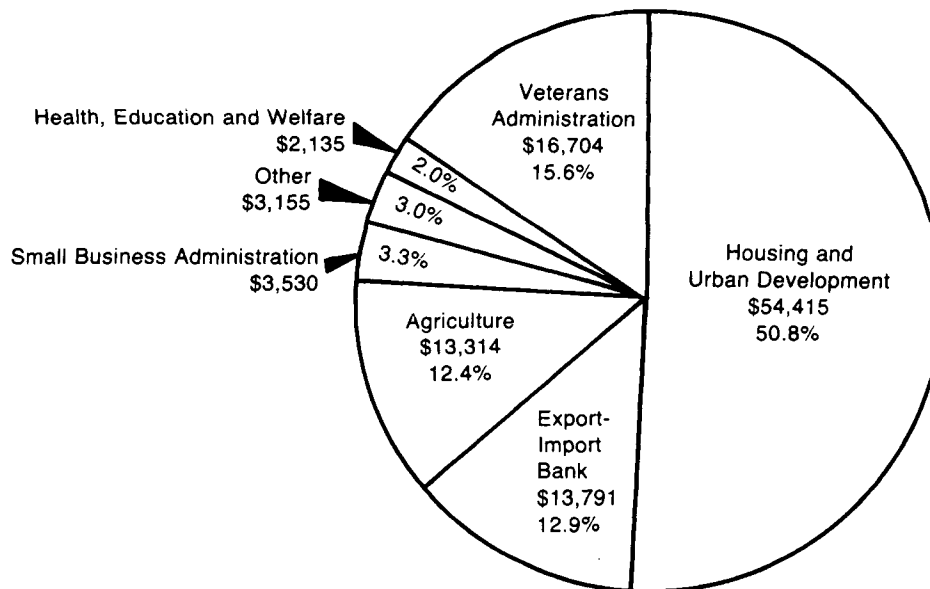
Figure 60. Relative Shares of New Commitments for Guaranteed Loans, by Agency, Fiscal Years 1950 and 1979^a

(in millions of dollars)

Fiscal Year 1950



Fiscal Year 1979



Source: *Budget of the United States Government, Fiscal Year 1952, Special Analysis E*; and *Budget of the United States Government, Fiscal Year 1979, Special Analysis F*.

^aData for 1979 are estimates.

^bComprised of those agencies now included in the Department of Housing and Urban Development.

Source: Congressional Budget Office, *Loan Guarantees: Current Concerns and Alternatives for Control*, Washington, DC, U.S. Government Printing Office, August 1978, p. 7.

Figure II-61—II-66 The Federal Share of Individual Functions

Figure 61. Public and Private Sectors Finance Relatively Constant Shares of School Expenditures, Selected Years, 1950-79

(Public and Private Expenditures for Education as a Percent of GNP)

Source: Appendix Table A-36.

Percent

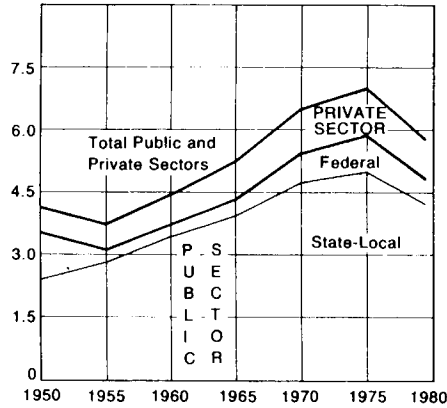


Figure 62. Federal Grants for Education, as a Percent of State-Local Education Expenditure

Source: Appendix Table A-37.

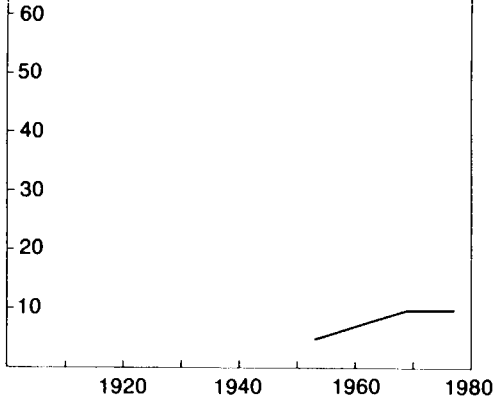


Figure 63. The Recent Dramatic Increase in the Federal Share of Health and Medical Care Expenditures, Selected Year, 1950-78

(Public and Private Expenditures for Health and Medical Care as a Percent of GNP)

*Studies on the private sector are not available for years after 1975. Source: Table VIII. M-106.

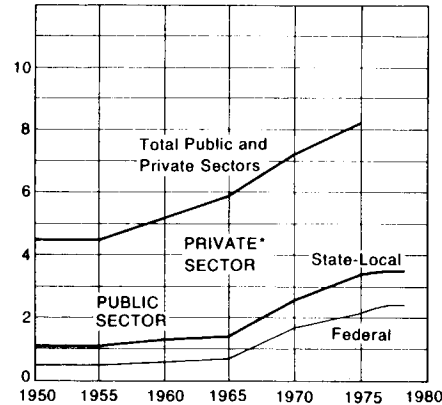


Figure 64. Federal Grants for Health, as a Percent of State-Local Health Expenditures

Source: Appendix Table A-37.

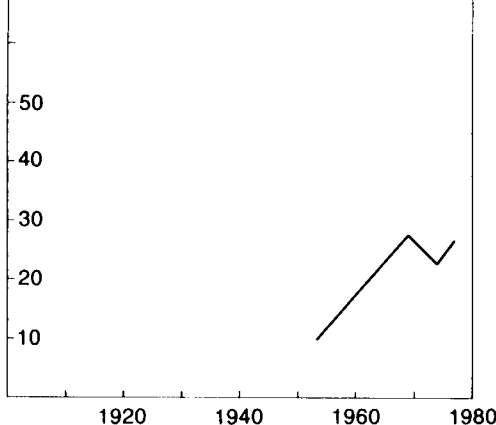


Figure 65. The Increasing Federal Share of Social Welfare Expenditures, Selected Years, 1950-78

(Public and Private Expenditures for Social Welfare Programs as a Percent of GNP)

*Studies on the private sector are not available for years after 1975.

Source: Appendix Table A-39.

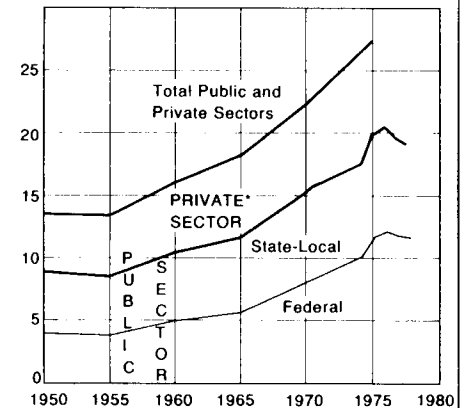
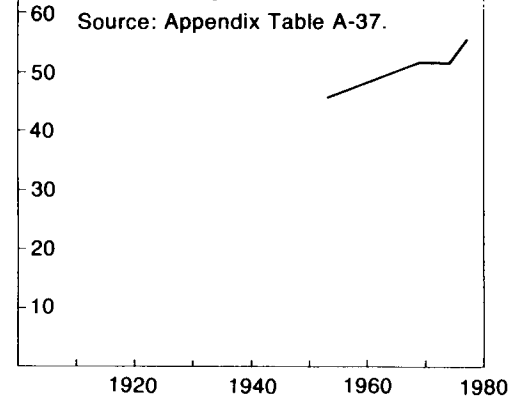


Figure 66. Federal Grants for Public Welfare as a Percent of State-Local Public Welfare Expenditures

Source: Appendix Table A-37.



Figures II-67—II-72
The Federal Share of Individual Functions (cont.)

Figure 67. The Federal Government Is the Primary Underwriter of Income Maintenance Programs, Selected Years, 1950-75

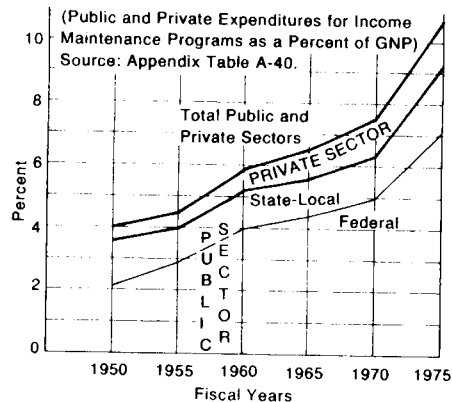


Figure 68. Federal Grants for Social Insurance, as a Percent of State-Local Social Insurance Expenditures

Source: Appendix Table A-37.

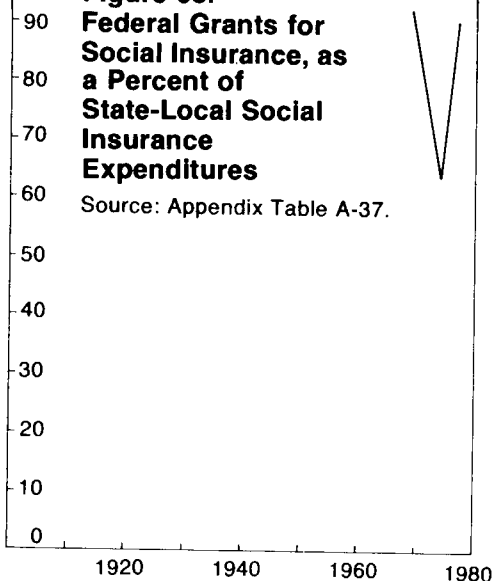


Figure 69. Federal Grants for Highways, as a Percent of State-Local Highway Expenditures

Source: Appendix Table A-37.

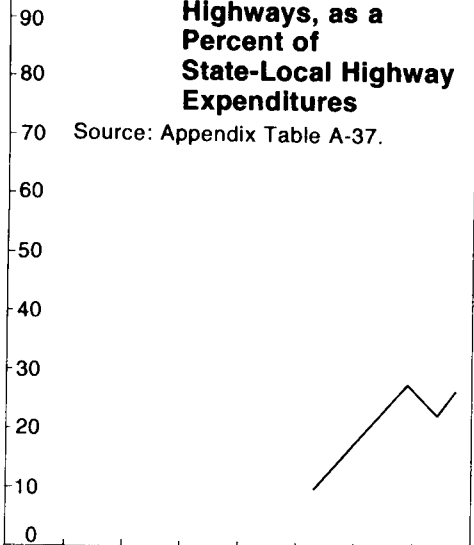


Figure 70. Federal Grants for Airports, as a Percent of State-Local Airport Expenditures

Source: Appendix Table A-37.

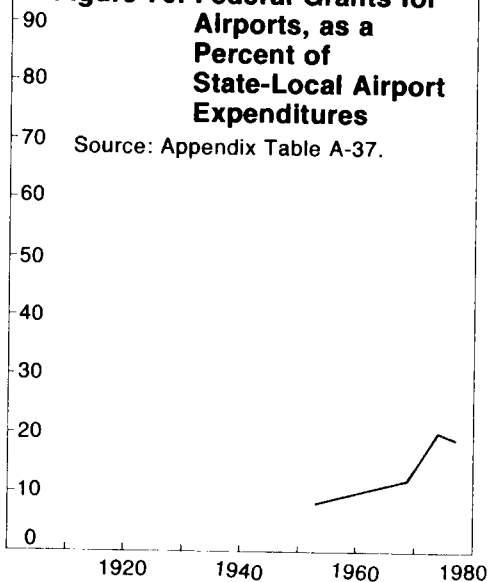


Figure 71. Federal Grants for Natural Resources, as a Percent of State-Local Natural Resources Expenditures

Source: Appendix Table A-37.

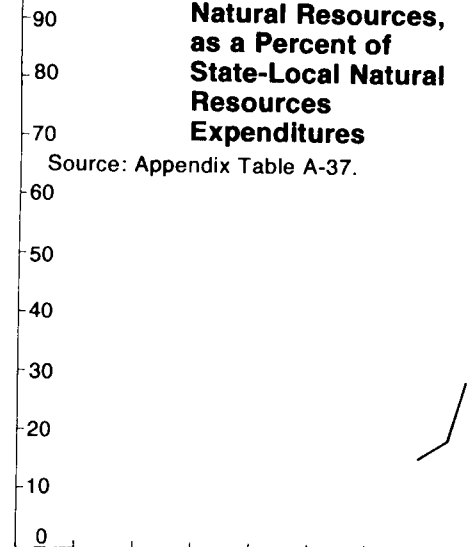
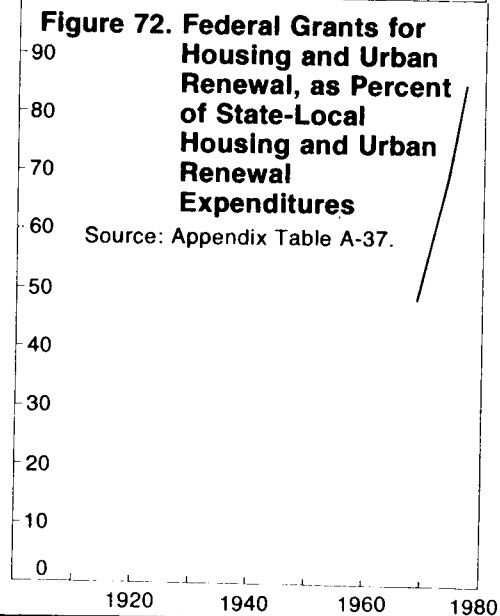


Figure 72. Federal Grants for Housing and Urban Renewal, as Percent of State-Local Housing and Urban Renewal Expenditures

Source: Appendix Table A-37.



grants) is small. Education is dominated by the state-local sector, and the federal contribution is even smaller than the private sector's. Health and medical care are still primarily private, although federal contributions have been growing so that they now are much larger than those of the state and local governments. Federal grants for highways, airports, and natural resource programs still are small (about 20-30%) compared with state-local expenditures for these functions.

Functional Shifts in Federal Employment

Figures II-73 and II-74 compare employment in various functions between the federal government and all governments combined (federal, state, and local). From the 1950s through the 1970s, there has been relatively little change within the federal government. A moderate overall decline, reflecting the long-term reduction in national defense forces along with very modest increases in some other functional fields, has left federal employment very largely in two functions—national defense and postal service. Modest growth from a relatively large base has been recorded in postal employees and in the category of "other," while modest growth also has been recorded from a small base in health and hospitals and natural resources, and from a very small base in police. Federal employment in education and highways is very small and fairly stable.

By contrast total public sector employment in the United States (aside from defense and postal services, which are preeminently federal) has been rising substantially. In two categories—education and "other"—this growth has been on top of a large base of previously employed workers. Total public employment in health and hospitals also has been increasing substantially, but from a small base. The remaining functions of natural resources, highways, and police have expanded moderately from a small base.

Total public sector employment is much more diversified and balanced than federal employment alone. Figures II-75 through II-80 show the federal share of public employment in these same functions, excluding national de-

fense and postal services, which are preeminently federal. These figures indicate that natural resources is the only function in which the federal employment is dominant. In this case there also is substantial state employment, but very little local. Federal employment in health and hospitals is significant, but still very much less than either state or local. Roughly the same picture emerges for the category of "other" domestic functions, although a larger share is local and the state share is similar to the federal one. Federal employment in education and highways is very small, with local government dominating the education function while the state and local governments divide highway employees almost equally. Local employees dominate the police protection function, with the state and federal governments having roughly equal small shares.

In summary, state and local employees dominate all functions except national defense, foreign affairs, postal services, and natural resources.

Expansion in the Scope of Federal Regulation

Figure II-81 shows that the federal government's earliest regulatory agencies were created for purposes of economic regulation. Later agencies began to be added for health and safety regulation. Finally units began to be established to apply pressure for greater social equality. Of course there is substantial overlap of new initiatives among these three fields as older programs are updated and augmented and as each field expands to meet present needs. The 41 major federal regulatory agencies created since 1863 are listed in Table II-8 by the three categories of regulation and the year in which the agency (or its predecessor agencies) was established. Of the 14 new regulatory agencies created in the 1960s and 1970s, just one was concerned with economic issues, six with health and safety, and seven with social equality.

Figure II-82 shows that the funding for all regulatory agencies at the federal level increased very rapidly in the late 1970s. The consumer safety and health agencies' expenses were the largest and have the second most rapid growth. The energy and environmental

Figures II-73—II-74 Government Employment, by Function

Figure 73. Government Employment, by Function

(federal, state and local combined)

Source: Appendix Table A-41.

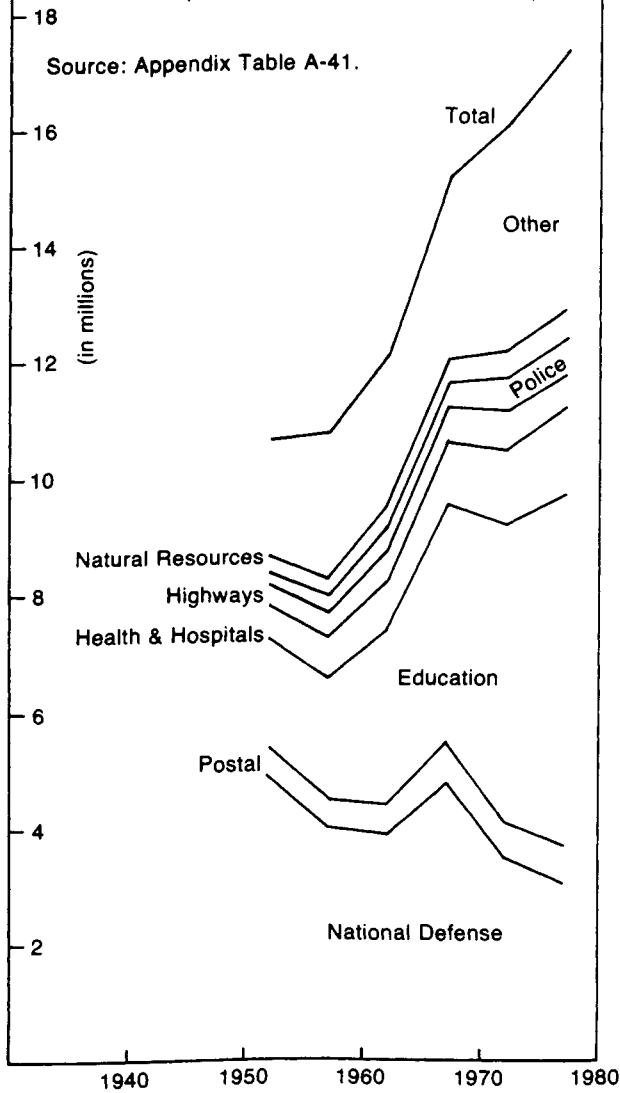
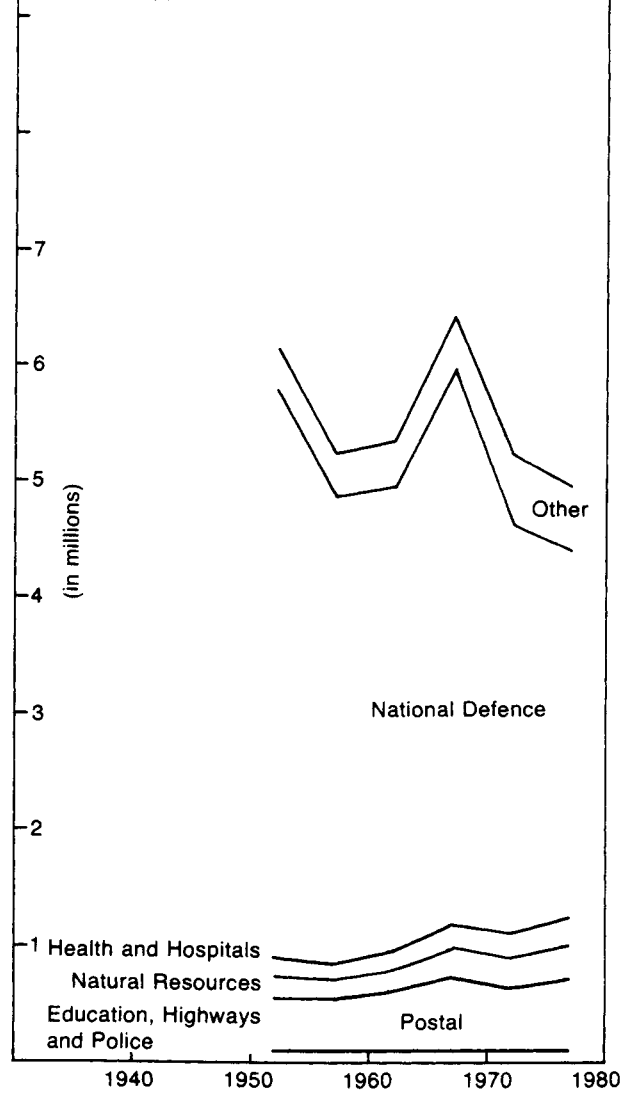


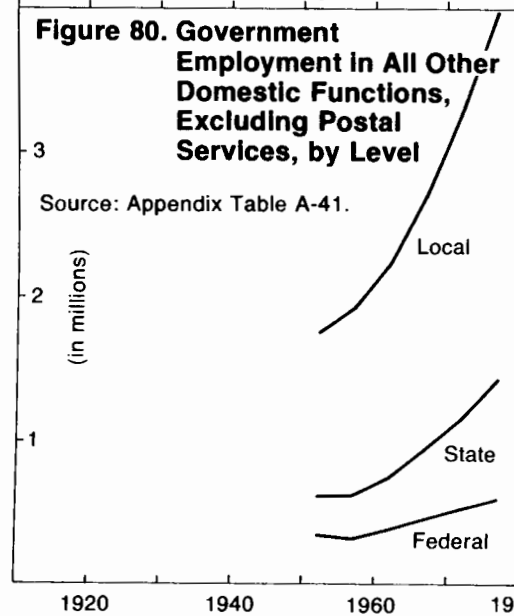
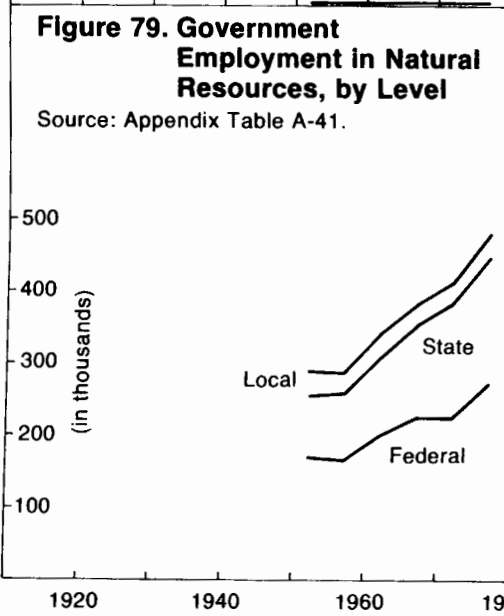
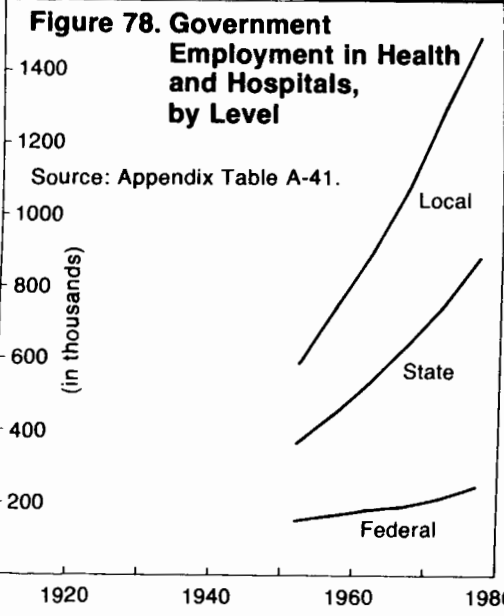
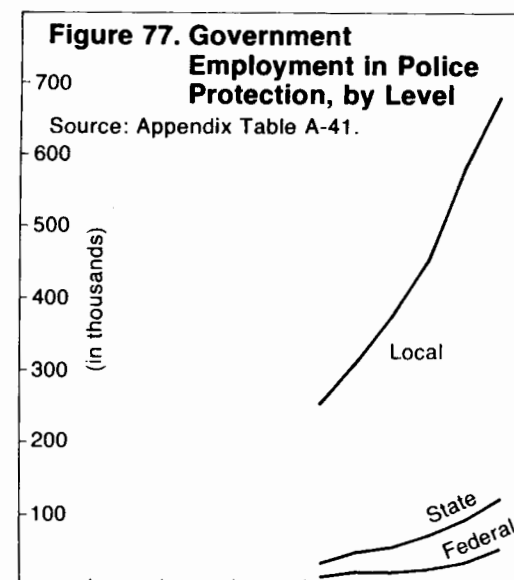
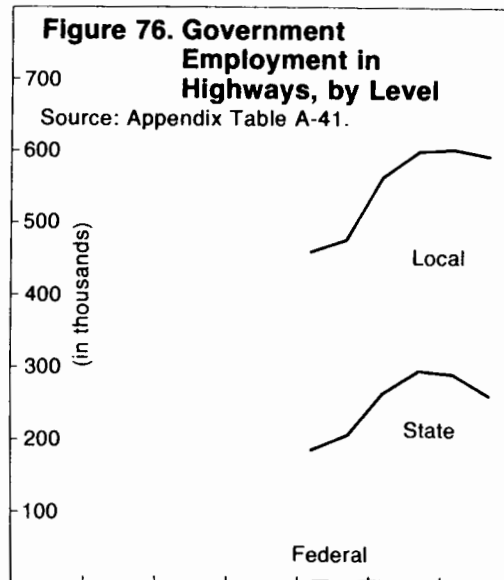
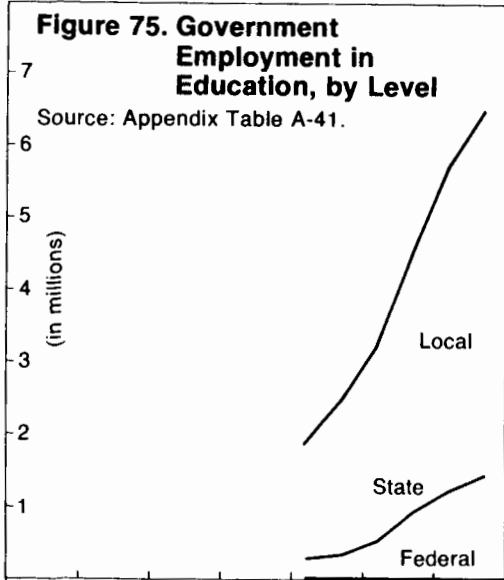
Figure 74. Federal Employment, by Function

Source: Appendix Table A-41.



Figures II-75—II-80

Composition of Public Employment, by Level of Government, Selected Functions



Figures II-81 and II-82 Growth of Federal Regulation, by Type

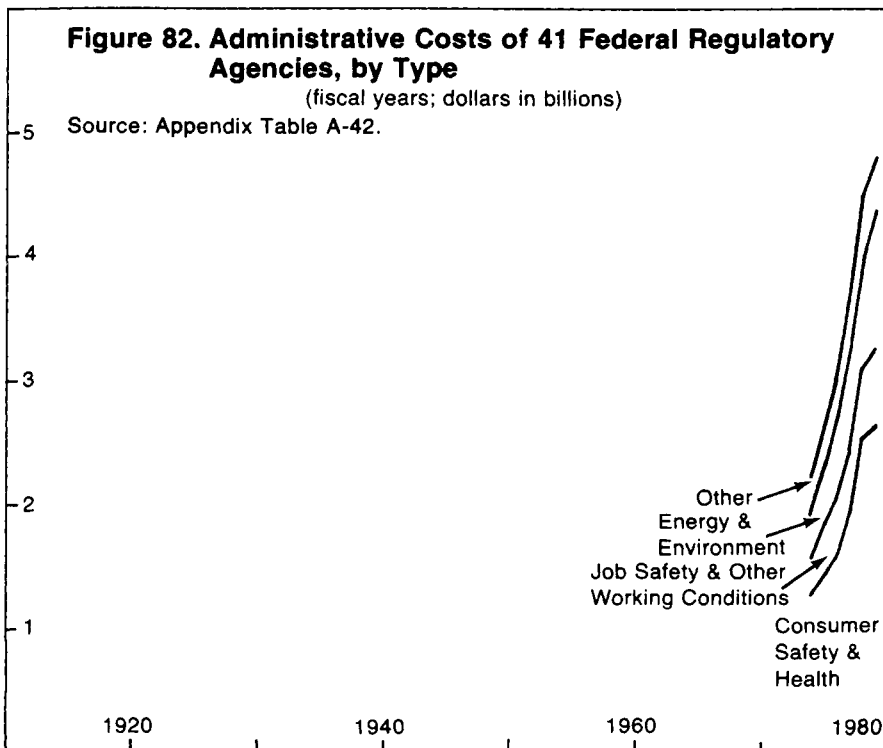
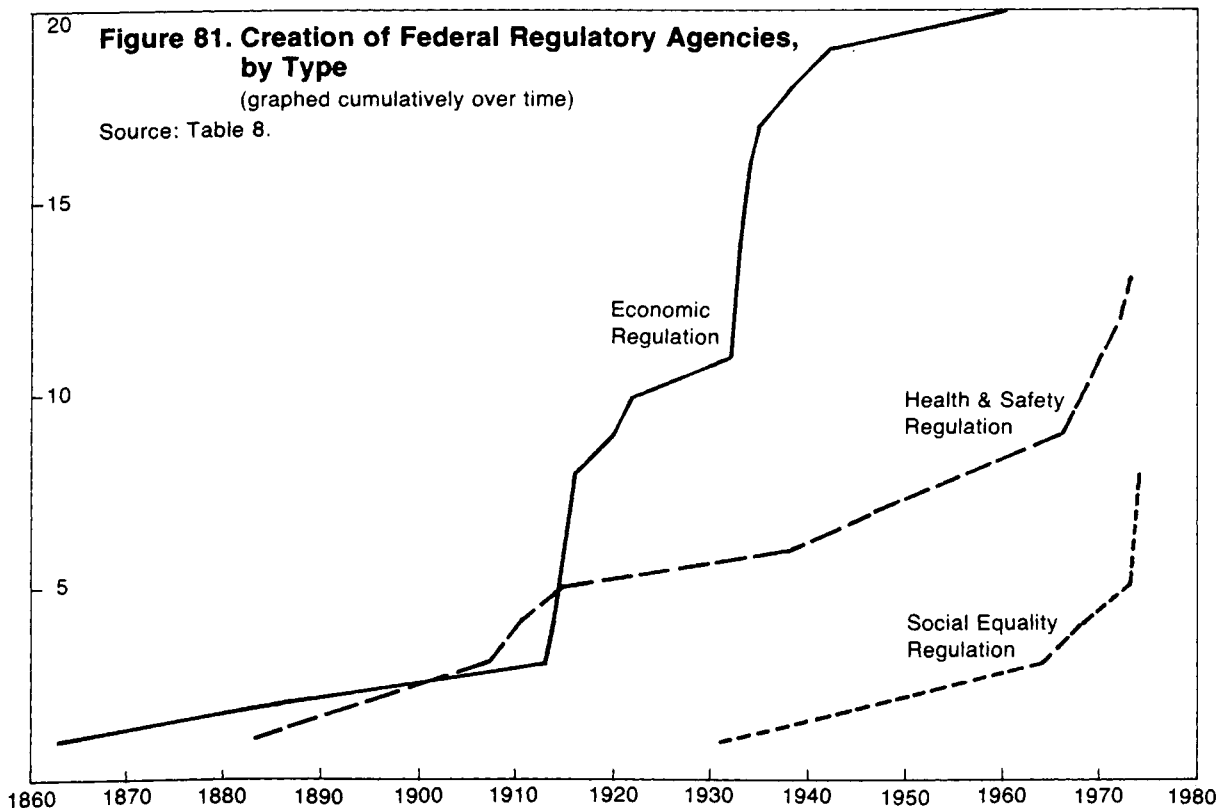


Table II-8
**MAJOR FEDERAL REGULATORY AGENCIES,
 BY TYPE AND YEAR FIRST ESTABLISHED**
(counting predecessor agencies)

I. Economic (20 agencies)	
1863	Comptroller of the Currency/Department of the Treasury
1887	Interstate Commerce Commission
1913	Federal Reserve System
1914	Federal Trade Commission
1916	Packers and Stockyards Administration/Department of Agriculture
1916	Federal Maritime Commission
1916	Federal Grain Inspection Service
1916	Agriculture Marketing Service
1920	Federal Energy Regulatory Commission/Department of Energy
1922	Commodity Futures Trading Commission
1932	Federal Home Loan Bank Board
1933	Federal Deposit Insurance Corporation
1933	Commodity Credit Corporation
1933	Agricultural Stabilization & Conservation Service
1934	Securities and Exchange Commission
1934	Federal Communications Commission
1935	National Labor Relations Board
1938	Civil Aeronautics Board
1942	Council on Wage and Price Stability
1970	Cost Accounting Standards Board
II. Health & Safety (13 agencies)	
1883	Animal and Plant Health Inspection Service
1907	Food Safety and Quality Service
1907	Food & Drug Administration, Department of Health, Education and Welfare Drug Abuse, 1962 Cigarettes, 1966
1910	Mining Enforcement and Safety Administration, Department of the Interior

1915 Coast Guard, Department of Transportation (Boating Safety)
 1938 Federal Aviation Administration, Department of Transportation (Air Safety)
 1946 Nuclear Regulatory Commission
 1966 National Highway Traffic Safety Administration, Department of Transportation
 1966 Federal Railroad Administration, Department of Transportation (Rail Safety)
 1970 Environmental Protection Agency
 Air Quality, 1970
 Water Quality, 1972
 Noise Abatement, 1972
 Drinking Water, 1973
 1970 Occupational Safety and Health Administration
 1972 Consumer Product Safety Commission
 1973 Drug Enforcement Administration, Department of Justice

III. Social Equality (8 agencies)

1931 Employment Standards Administration, Department of Labor
 1964 Civil Rights Division, Department of Justice
 1964 Equal Employment Opportunity Commission
 1968 Consumer Credit Protection
 1973 Office of Human Development, Department of Health, Education and Welfare (Handi-
 capped)
 1974 Energy Conservation
 1974 Labor-Management Services Administration, Department of Labor (Employees Pen-
 sion Programs)
 1974/76 Federal Election Commission

SOURCE: Office of the Federal Register, *1977/78 United States Government Manual*, Washington, DC, U.S. Government Printing Office, 1977; and Louis M. Kohlmeier, *The Regulators*, New York, NY, Harper & Row, 1969, Appendix, pp. 307-12.

agencies' expenses were rising most rapidly, putting them in second place by size. The job safety and other working conditions agencies rank third and were growing nearly as fast as the consumer safety and health regulatory agencies. The "other" agencies bring up the rear in both present size and rate of growth.

As with the creation of federal agencies in general, the establishment of regulatory agencies has been cumulative, adding new functions while rarely subtracting old ones. New types of federal regulatory activity initiated for the first time in the 1960s and 1970s (as opposed to being expanded from an earlier established base) were almost exclusively in the social benefits realm, rather than economic development (using Rose's terms). Overall the federal government now has a very diverse and broad-ranging set of regulatory agencies.

Implications of the Expanding Scope of Federal Activities

By any measure except employment, the federal government has become a Stage III operation. It now has a broad array of programs, spread among all three of the basic goals of government stipulated by Prof. Rose. This was accomplished largely by the addition of social benefit programs since the 1930s, with the pace accelerated in the 1960s and 1970s. Nevertheless the federal government's employment characteristics remain similar to those established at the nation's founding—heavily oriented toward national defense and postal services. Most domestic programs, even where federal expenditures are very significant, largely rely on state and local employees for their implementation.

This situation suggests the continuing vitality of the federal principle and the distinctive way in which the United States has pursued the three-stage developmental pattern. It also underscores some of the basic challenges confronting contemporary public service arrangements in the United States, for intergovernmental administration of programs is a very different (and infinitely more difficult) method of implementation than direct administration.

THE DEPTH OF FEDERAL INFLUENCE

Up to this point the growth of the federal government has been described largely apart from its effects. It has been shown that the federal government now is: (1) purchasing more goods and services than ever—although its own direct employment has not increased much in recent years; (2) regulating and taxing more than ever before; (3) providing more aid to a wider range of governmental units; and (4) redistributing income increasingly through the rapid rise in transfer payments. These various means of influence not only have grown in traditional program areas, but also have been applied to a rapidly expanding array of recently enacted programs, in the effort to increase benefits and services. Some of the newer program areas (such as civil rights and environmental protection) have been subject to heavy litigation in courts where a rapid increase in the number of civil cases filed has been noted. The federal government clearly is using more means of influence, using them more frequently (except for performing services directly using its own employees), and is applying them to more program areas—all for the purpose of providing public benefits.

The overall effect of this enlarged federal presence is much larger than could be exerted by those programs that the federal government operates itself. More important than these are the impacts of regulatory programs, tax incentives (sometimes referred to as tax expenditures), financial assistance to others (combined with the various administrative requirements and contractual conditions attached thereto), plus the associated paperwork and litigation in the courts. Obviously the total influence is large. Yet this still is not the full story.

This section probes two additional questions: Who is affected by the federal presence? How are they affected—for good or for ill? Quantitative answers to these questions are not as available as are the measurements associated with the size and scope of federal influences. Nevertheless, there are some, and they can be supplemented with descriptive information.

Figure II-83 illustrates graphically how the one-dimensional analysis of the growth of federal activities (means of influence) interrelates with the frequency of effects on outside parties

Figure 83. Factors in Federal Influence

Nature of Influence	Incidence of Influence			Means of Influence													
	State & Local Governments	Business & Other Private Organizations	Individuals & Families	Purchase	Regulate	Tax	Aid	Report	Litigate								
Policy Overrides																	
Detail of Requirements																	
Costs in: • Time • Money																	
Side Effects																	

and with the nature of these effects. This suggests the need for a three-dimensional analysis which can yield some approximate overall measurements of the effects and influence of the federal government. Ideally this analysis would be carried out separately for each federal program or group of programs and then aggregated to create a composite picture of federal influence. Such a detailed analysis, however, is beyond the scope of this study. Instead a more general approach is taken.

This approach entails examining: (1) a few indicators of the extent to which individuals and families, businesses (and other private organizations), and state and local governments are caught in the web of federal influences; and (2) a few indicators of the different types of federal influence and the benefits and burdens they create.

As this brief and general analysis unfolds, it will become clear that virtually all individuals, businesses, and state and local governments in the nation are affected in a variety of different ways by federal programs that impose burdens while they create and redistribute benefits. These burdens appear inherent in the process of government.²⁷ The challenge, then, is to maximize benefits and distribute them equitably while minimizing unnecessary burdens. The first step toward this goal would appear to be developing more and better measurements of these benefits and burdens as they affect the various segments of the public.

Incidence of Federal Influence

Individuals

Most individuals in the United States now are directly affected by federal activities. This situation is indicated by a few examples in Figures II-84 through II-88. These figures indicate that a little over 80% of the population is covered by the individual federal income tax, while about 90% of the persons on payrolls are covered by the Social Security system and unemployment insurance, and nearly 8% of the population receives some form of public assistance. Of those persons 65 years of age and older, slightly over 90% are receiving Social Security payments. All of these figures have continued to grow in recent years, except the percent of payrolls covered by Social Security

(which has leveled off just above 90%); the most rapid periods of increase for the income tax and social insurance were in the 1940s and 1950s, and for welfare in the 1960s. The high levels of participation indicate that saturation may be nearing.

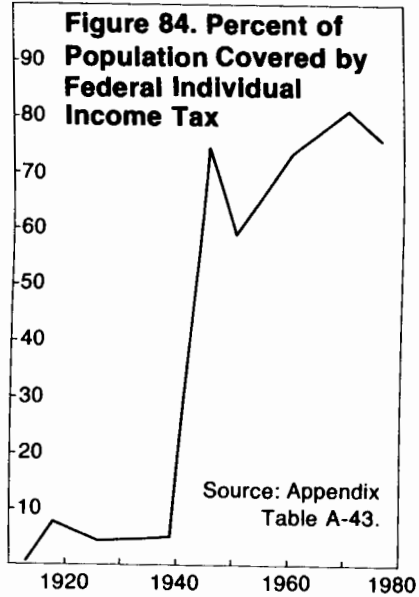
Business

Businesses and other private sector organizations are equally caught up in the web of federal influence. Herbert Kaufman of the Brookings Institution has described this in his recent seminal study of red tape:

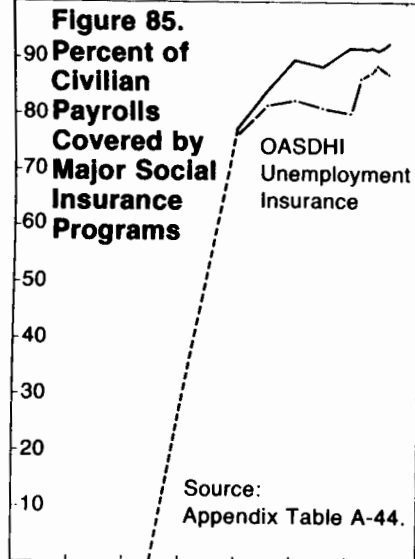
Today, you can hardly turn around without bumping into some federal restraint or requirement. It wasn't always so; there was a time you could embark on almost any venture without encountering a single federal constraint. Now, however, if you should take it into your head, say, to manufacture and market a new product, you would probably run into statutes and administrative regulations on labor relations, occupational safety, product safety, and air purity. Your advertising would probably fall within the jurisdiction of the Federal Trade Commission. The Department of Justice would be interested in your relations with your competitors. Should you want to raise capital by the sale of stock or bonds, you would fall under the Securities and Exchange Commission. You would need export licenses from the Department of Commerce to sell your product in some areas of the world. Federal prohibitions against race, age, and sex discrimination in hiring and promotion would apply to you. If you were to extend credit to your customers, you might fall under the truth-in-lending laws. You would have to file sundry reports for tax, social security, pension, and census purposes. In some fields—communication, transportation, energy, insurance, and banking, for instance—restrictions and oversight are especially stringent. But firms of all kinds, large and small, are subject to diverse federal requirements. You can't just start and run a business without reference to federal specifications and officials.

Figures II-84—II-88
Growing Federal Influence Over Individuals

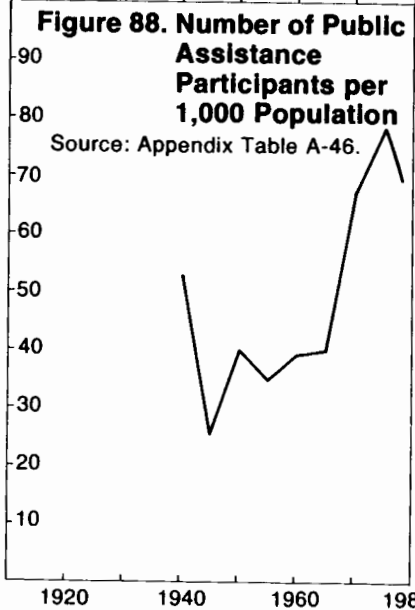
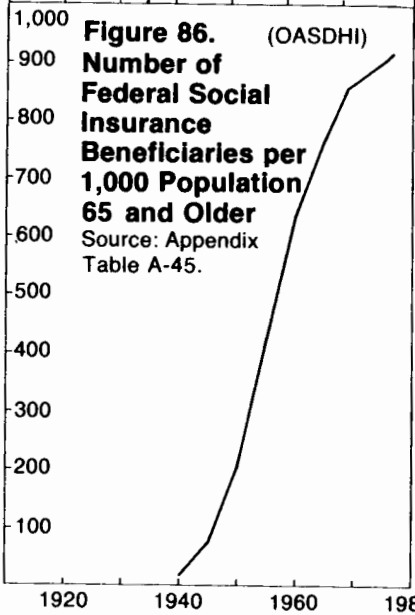
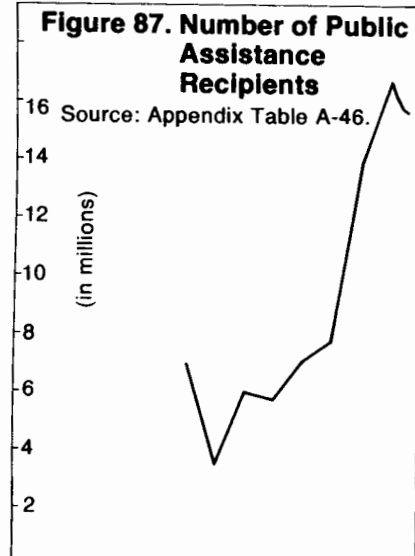
Income Tax



Social Insurance



Welfare



Business is not the only activity affected this way. Labor unions, foundations, political parties, universities, lobbyists, and even farmers are similarly constrained. Every recipient of government subsidies, loans, and other forms of public assistance finds these benefits come with conditions and obligations that have to be satisfied. The government's reach is very long.²⁸

One of the reasons for this all-pervasive presence of the federal government is the change in recent years from regulating only specific industries to regulating a number of general concerns, which cut across all industries. This situation is shown graphically in *Figure II-89*. In this figure the vertical lines indicate the traditional regulation of individual industries or sectors of the economy, while the horizontal lines indicate the newer cross-cutting regulations aimed at protecting consumers, workers, minority groups, and the environment. These add to the burdens of previously regulated sectors of the economy, and they bring many new sectors under federal influence. But, obviously, they also attempt to protect the broad spectrum of consumers, workers, minorities, and citizens.

State and Local Governments

Most state and local governments also are under heavy federal influence, often at their own request. Nothing demonstrates this better than the growth of federal aid previously noted in this chapter. Prior to 1972 many of the smaller counties, municipalities, and townships did not receive federal aid, perhaps largely because of constraining eligibility requirements and the specialized staff effort required to apply for, and administer the available funds.²⁹ With the advent of the General Revenue Sharing program in that year, however, all the states and virtually all of these general purpose local governments now receive and spend regular quarterly payments from the federal government without even applying for them. At latest count 37,704 state and local governments receive these payments, out of a total of 38,776 such governments.³⁰

Public school districts also are deeply embedded in the federal aid system. Virtually all of the nation's 16,500 public school systems receive federal funds. About 80% of this aid is distributed through the states, while the remaining 20%

goes directly from the federal government to the school system.³¹ Federal aid distributed by the states is virtually universal among the 15,174 independent school districts, and also is quite prevalent among the 1,386 dependent school systems. Even private schools are deeply enmeshed in federal aid; almost 82% of those at the elementary and secondary levels receive such aid.³² Yet according to the 1977 *Census of Governments*, only 8.1% of all public school system revenue is derived from federal aid. Still, this small amount brings these units under numerous detailed grant requirements.

Finally, special districts, which are the most numerous type of government in the United States, also share in federal aid to a large extent. The figures are imprecise, but it is known that intergovernmental revenues (including state and local as well as federal) account for 30.1% of special district revenues,³³ and about 10,000 of the 26,000 special districts (38%) are eligible for federal aid. These include districts for soil conservation, housing and urban renewal, sewerage, hospitals, libraries, and transit systems.

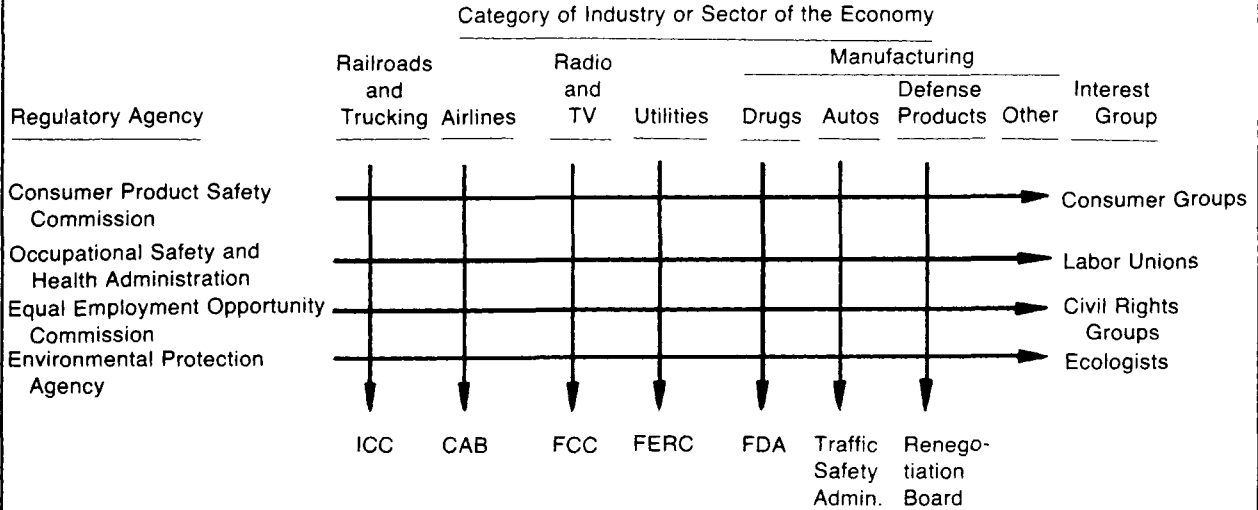
Adding the 50 states and totaling the above mentioned governments yields an estimate that about 63,000 of the nation's approximate 80,000 units of state and local government (nearly 80%) probably are receiving federal funds. In addition virtually all of the increasingly numerous substate regional organizations are dominated by federal aid, which contributes well over 80% (on the average) of their budgets. This adds almost another 2,000 governmental organizations to the total public recipients of federal aid.³⁴

Federal aid obviously has a pervasive effect on state and local government. The substate regional organizations, with such a high percentage of their budget coming from federal aid, probably are the most greatly influenced of the state and local units. Their funds are mostly categorical grants which have quite firm and detailed program requirements, as well as a number of general requirements affecting virtually the whole federal aid system. *Table II-9* shows the broad range of these generally applicable grant requirements. They cover nondiscrimination, environmental protection, planning and project coordination, relocation and real property acquisition, labor and procurement standards, public employee standards, and access to government information and decision processes.

Figures II-89—II-91

Growing Federal Influence over Business and Government Regulation Affects All

Figure 89. Variations in Federal Regulation of Business

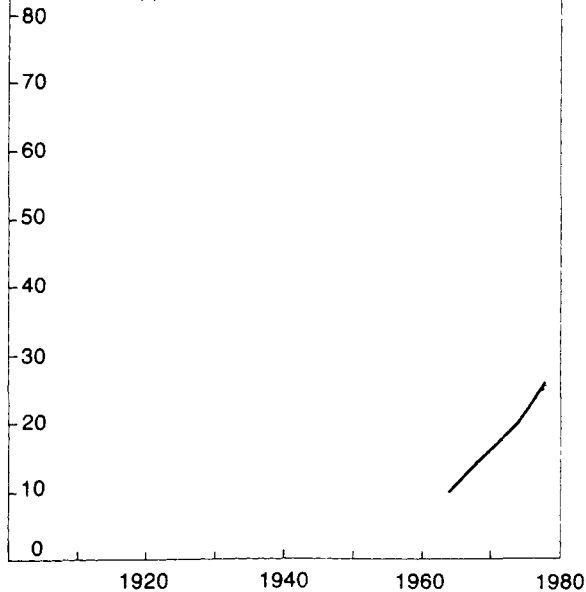


Source: Murray L. Weidenbaum, *The Costs of Government Regulation of Business*, A Study Prepared for the Use of the Joint Economic Committee, 95th Congress, 2nd Session, Joint Committee Print, April 10, 1978, Washington, DC, U.S. Government Printing Office, 1978. p. 9.

Federal Aid Dominates More

Figure 90. Percent of State Agencies Receiving 50% or More of Budget from Federal Aid

Source: Appendix Table A-15.



Litigations Spreads

Figure 91. Cases Docketed in Federal Appellate Courts, Per Million Population

Source: Appendix Table A-10.

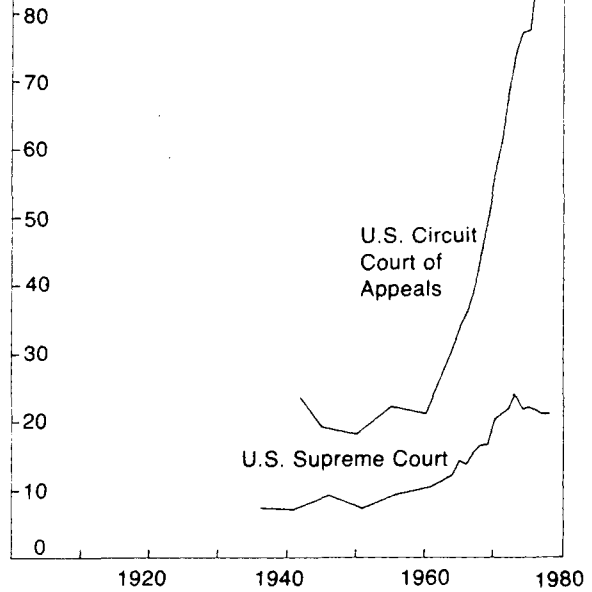


Table II-9

MAJOR SOURCES OF GENERAL NATIONAL POLICY OBJECTIVES APPLICABLE TO GRANT PROGRAMS

Nondiscrimination

Age Discrimination in Employment Act of 1967
Architectural Barriers Act of 1968
Civil Rights Act of 1964, Title VI, VII
Education Amendments of 1972, Title IX
Education for All Handicapped Children Act of 1975
Equal Pay Act of 1963
Executive Orders 11141 (1963) and 11246 (1965), Nondiscrimination in Employment by Government Contractors and Subcontractors,
Executive Order 11764, Nondiscrimination in Federally Assisted Programs, 1968
Executive Order 11914, Nondiscrimination with respect to the handicapped in federally assisted programs, 1976
Rehabilitation Services Act of 1973, Section 504
State and Local Fiscal Assistance Act of 1972
Urban Mass Transportation Act of 1964, as amended 1970, Section 16

Environmental Protection

Clean Air Act of 1970, Section 306, and Federal Water Pollution Control Act, Section 508, 1970
Endangered Species Act of 1973
Flood Disaster Protection Act of 1973
National Environmental Policy Act (NEPA), 1969
National Historic Preservation Act of 1966

Planning and Project Coordination

Demonstration Cities and Metropolitan Development Act of 1966, Section 204
Intergovernmental Cooperation Act of 1968, Title IV

Relocation and Real Property Acquisition

Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970

Labor and Procurement Standards

Davis-Bacon Act, 1931, (as incorporated into individual grants when enacted)
Office of Federal Procurement Policy Act, 1974
Urban Mass Transportation Act of 1964, as amended, Section 13c
Work Hours Act of 1962

Public Employee Standards

Anti-Kickback (Copeland) Act (1934, '46, '60)
Hatch Act (1939, '40, '42, '44, '46, '62)
Intergovernmental Personnel Act of 1970

Access to Government Information and Decision Processes

Citizen Participation (numerous grant programs in past three decades)
Family Educational Rights and Privacy Act of 1974 (Buckley Amendment)
Freedom on Information Act, 1974
Privacy Act of 1974

SOURCES: *The Federal Grants Reporter*. National Reporter Systems, Inc., 1976; Evelyn Idelson, "1976 Perspective of Title VII," *County News*, Washington, DC, National Association of Counties, April 19, 1976, p. 9; and ACIR staff.

Even the school districts, which receive only 8.1% of their funds from federal aid, are subject to many of these same requirements. And the General Revenue Sharing program, which affects almost 38,000 state and local units and was designed specifically to have the fewest possible federal requirements on recipients, carries with it the following restrictions: a prohibition on the use of funds for lobbying purposes, requirements for citizen participation, restrictions on debt retirement with revenue sharing funds, compliance with the prevailing wage provisions for construction projects under the *Davis-Bacon Act*, requirements with respect to wage rates for employees of recipient governments, protections against discrimination in recruitment and employment of various sectors of the population, prohibitions against discrimination by subcontractors, and restrictions against discrimination in the provision of municipal services or the selection of facilities to be financed with federal funds. Although this list leaves out some of the generally applicable requirements, there is still a very substantial federal presence in even this "least intrusive" federal program, and it affects more subnational governments than any other.

Figure II-15, presented earlier, showed that about 74% of the total state agencies now receive federal aid. Figure II-90, also included previously, indicates that the percentage of state agencies receiving 50% or more of their budget from federal aid has increased from about 10% in the mid-1960s to over 25% in the late 1970s. Thus the states also face growing federal influence within their programs.

In brief, the growing federal influence on state and local governments, which worried Sen. Muskie in 1962 when the Senate Subcommittee on Intergovernmental Relations was established, has intensified. At that early date he described intergovernmental relations as the "hidden dimension of government" and expressed the hope that his subcommittee would help to define and identify it, "to understand what it is and what its potential is, and in what directions it is moving." He went on to explain:

Performing as almost a fourth branch of government in meeting the needs of our people, it [intergovernmental relations] nonetheless has no direct electorate, operates from no set perspective, is under no special control, and moves in

no particular direction.

Programs in this field make an unpredictable impact on our society and our economy. The world of intergovernmental relations is represented by no policymaking body—there is no executive, no legislative, and no judiciary

Evidence that this field makes a major impact on the lives of all Americans can be found in its involvement in such matters as highways, housing, public assistance, hospitals, airports, public health, unemployment compensation, education, agricultural extension, and waste treatment facilities.³⁵

This was before President Johnson's "creative federalism," Nixon's "new federalism," and Carter's "new partnership." These recent trends magnify the concerns of many observers about the complexity and centralizing tendencies of the contemporary system of intergovernmental relationships.

It is little wonder, therefore, that the national associations of state and local governments have been providing, in recent years, special annual conferences on national affairs, with urgent appeals for their members to attend. In a recent advertisement for its annual legislative conference, the National League of Cities posed this rhetorical question: "What is the most powerful influence on your city today?" The answer provided was:

The single most important influence on most American cities is the federal government. Daily in Washington, Congress, the federal agencies, and the White House make decisions that effect the way your city is run.

The federal government . . . mandates costs that influence the way you allocate your city's budget. It has a lot to say about whether your city can proceed with maintenance or construction of sewers, streets, and other essential facilities. It affects your local decision-making process in a hundred other ways.³⁶

The growth of federal regulation and of the rules and regulations accompanying the growth

of federal aid have spawned a great deal of additional civil litigation. Although there is no precise measure of how much litigation has grown out of federal relationships with the business community and the state and local governments on these counts, *Figure II-91* (presented earlier) does indicate that increasing numbers of civil cases are reaching the federal appellate courts, even when adjusted for population growth. *Figure II-92* correlates the recent caseload increase with the enactment dates of major new federal regulatory programs.

Considering all forms of federal influence in relation to the activities of the state and local governments, the federal government had been growing more important throughout its history. *Table II-10* shows this situation in terms of the degree of centralization in the United States for 17 basic functions of government. This rating system was devised by William H. Riker over a decade ago, and he defined the degrees of centralization as follows:

1. The functions are performed exclusively or almost exclusively by the federal government.
 2. The functions are performed predominantly by the federal government, although the state governments play a significant secondary role.
 3. The functions are performed by federal and state governments in about equal proportions.
 4. The functions are performed predominantly by the state governments, although the federal government plays a significant secondary role.
 5. The functions are performed exclusively or almost exclusively by the state governments.
- The functions were not recognized to exist at the time.³⁷

Using the same scheme, the ACIR staff brought the table up to date by indicating its judgment about the centralization of functions in 1979. In the decade and a half since 1964, when Riker's book was published, the centralization trend has continued, with the average degree of centralization moving toward the federal government from a measure of 2.8 to the figure of 2.5. This result

means that, on the average, these major functions of government lie somewhere between equal federal and state responsibilities, and federal predominance supplemented by a significant, though secondary, role for the state and local governments.

All of the functional shifts occurring since 1964 are toward greater federal influence. With regard to civic rights (function 4, which includes basic civil rights and voting rights), basic policy now is controlled by the federal government, with the state and local governments in an administrative posture. As to morality (function 5), the federal government has begun to take a significant role in issues such as abortion, ethics in government, fair campaign practices, truth in lending, truth in labeling, and violence on television. Under utilities (function 9), the federal role has increased with respect to the regulation of drinking water; control of water pollution; assistance for sewerage systems; increased influence over energy allocations, prices, and usage; and the predominant role in nuclear power production and safety. Finally in health (function 16), the federal role in financing health care services has become predominant.

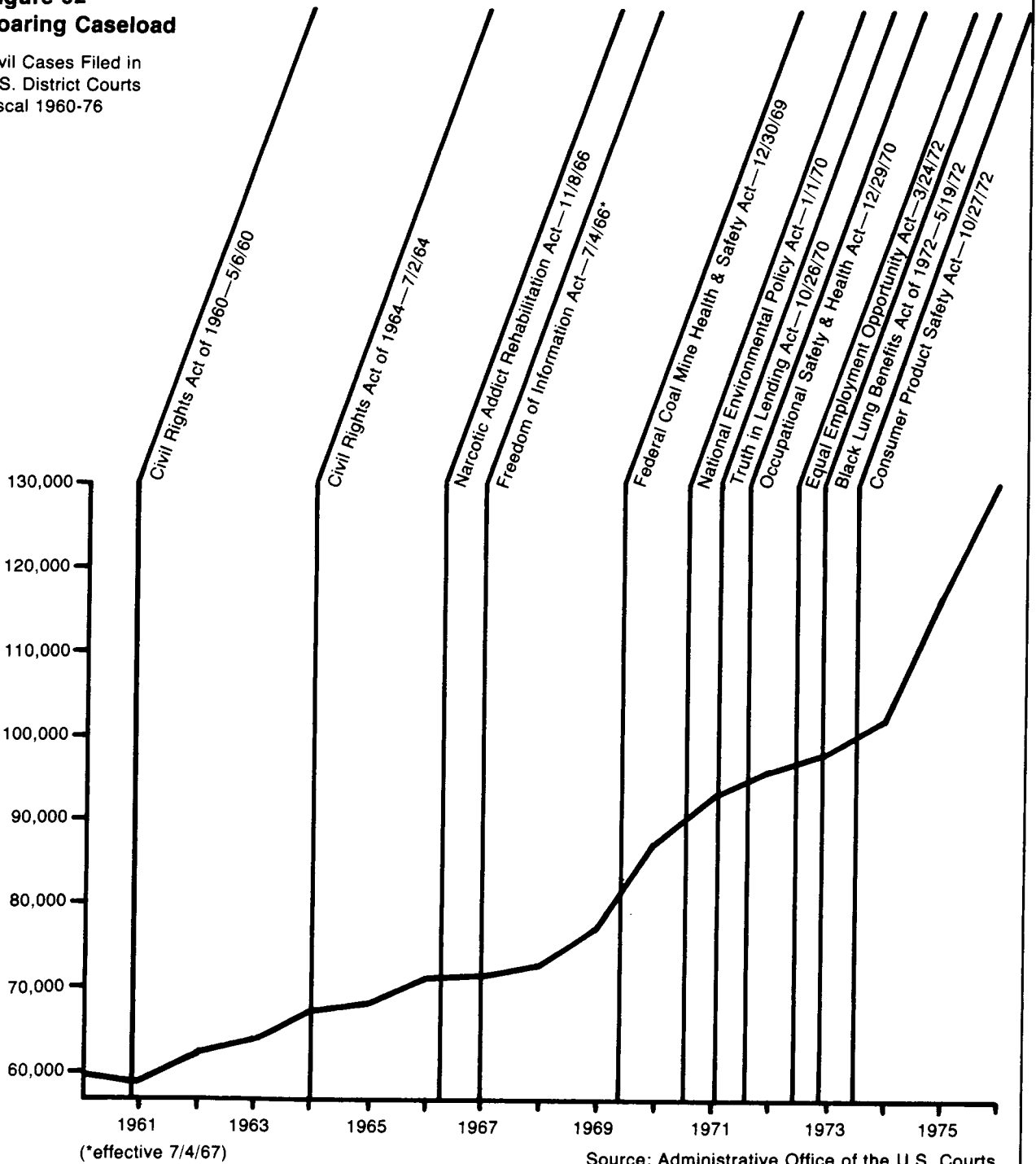
With the movement of the federal government into the function of morality, the state and local governments no longer are exclusively or almost exclusively responsible for any of these 17 functions. Yet the federal government retains only two functions in which it is exclusively or almost exclusively responsible—external affairs (function 1) and money and credit (function 7). Thus most programs are partnerships in the American federal system. The federal government is the senior partner in eight programs, an equal partner in three, and a junior partner in only four.

The Nature of Federal Influence

The results of federal activities are both positive and negative. On the positive side, benefits obviously are created and redistributed and services are provided to improve the well-being of the nation and its citizens, although some would argue that this applies only to some, not all, of the federal government's direct and intergovernmental activities. On the negative side, however, federal actions can limit the discretion of other parties about what they do

Figure 92
Soaring Caseload

Civil Cases Filed in
U.S. District Courts
Fiscal 1960-76



Source: Administrative Office of the U.S. Courts.

Source: Linda E. Demkovich, "The Clogged Federal Courts—Who Are the Culprits?", *National Journal*, 2/11/78, p. 223.

Table II-10
**THE DEGREE OF CENTRALIZATION IN THE UNITED STATES,
 BY SUBSTANTIVE FUNCTIONS AND AT POINTS IN TIME**

Functions	Circa 1790	Circa 1850	Circa 1910	Circa 1964	Circa 1979
1. External affairs (military/diplomatic)	4	1	1	1	1
2. Public safety	5	4	4	4	4
3. Property rights	5	5	4	4	4
4. Civic rights (liberties and voting)	5	5	5	3	2
5. Morality (social values and norms)	5	5	5	5	4
6. Patriotism (instill allegiance and pride)	3	3	3	3	3
7. Money, credit, and banking	3	4	3	1	1
8. Transport and communication	4	4	2	2	2
9. Utilities (services and regulation)	5	5	5	4	3
10. Production and distribution	5	5	4	2	2
11. Economic Development (subsidies)	3	4	3	2	2
12. Natural resources	—	—	2	2	2
13. Education	—	5	5	4	4
14. Indigency (aid, including the handicapped)	5	5	5	2	2
15. Recreation and culture	—	4	4	3	3
16. Health (services and regulation)	—	—	4	3	2
17. Knowledge (research, patents, copyrights, etc.)	1	1	1	2	2
Average	4.1	4.0	3.5	2.8	2.5

SOURCE: William H. Riker, *Federalism: Origin, Operation, Significance*, Boston, MA, Little, Brown & Co., 1964, p. 85; 1979 judgments supplied by ACIR staff.

and how they do it, and can also place burdens on their resources while creating side effects in the economy such as inflation and loss of productivity. These negative effects are depicted in Figure II-83 under the "nature of influence" where they are called policy overrides, detail of requirements, costs, and side effects.

There is no doubt that these negative effects exist. Table II-11 lists some of the most frequent ways in which the burdens of federal influence on affected parties (individuals, businesses, and state and local governments) are expressed. There is an exclamation point at the end of each statement, because these burdens frequently are expressed as screams of anguish. They are cries against federal preemption of state and local responsibilities; against heavy handed federal supervision over how national goals should be accomplished; against federally imposed red tape, delays, and cost overruns; and against counterproductive effects of federal activities on the economy. Each of these four negative effects is examined briefly below.

FEDERAL PREEMPTION OF POLICIES

Although federal regulatory activities, aid programs, and tax incentives long have had the objective of substituting federal policies for those of other governmental levels or the natural inclinations of individuals and businesses, both the scope and intensity of these objectives have increased in recent years to the point where it is common now to hear this phenomenon discussed in terms of federal preemption and supersession. Quite a body of literature has grown up along these lines since 1975.

This literature points out that the substitution of federal policies sometimes is accomplished directly, through statutory language that explicitly states that it supersedes state and local legislation, and indirectly by offering grants and other benefits to those who follow federal policies.³⁸ In addition it has been shown that some federal preemptions are complete, occupying the whole field and leaving no room for additional policies to be established by others. At the same time others simply establish minimum standards and allow such standards to be exceeded or supplemented in ways not inconsistent with stated national objectives.

Prof. Joseph Zimmerman has compiled a

number of examples of the language used in formal federal preemption statutes.³⁹ The examples include the following:

- The *Flammable Fabrics Act* stipulates: "This act is intended to supersede the law of any state or political subdivision thereof inconsistent with its provisions."
- The *United States Grain Standards Act* forbids states or political subdivisions to "require the inspection or description in accordance with any standards of kind, class, quality, condition, or other characteristics of grain as a condition of shipment, or sale, of such grain in interstate or foreign commerce, or require any license for, or impose any other restrictions upon, the performance of any official inspection function under this act by official inspection personnel."
- The *Radiation Control for Health and Safety Act of 1968* forbids state and local governments "to establish . . . any standard which is applicable to the same aspect of the performance of such product and which is not identical to the federal standard."

Zimmerman's examples of more limited types of federal preemption are:

- The *Gun Control Act of 1968*: "No provision of this chapter shall be construed as indicating an intent on the part of the Congress to occupy the field in which such provision operates to the exclusion of the law of any state on the same subject matter, unless there is a direct and positive conflict between such provision and the law of the state so that the two can not be reconciled or consistently stand together."
- The *Drug Abuse Control Amendments of 1965* contains a provision similar to that in the *Gun Control Act*.
- The *Federal Railroad Safety Act of 1970* specifically authorizes states to adopt laws, rules, regulations, orders, and standards relating to railroad safety that are more stringent than the counterpart federal ones "when necessary to eliminate or reduce an essentially local safety hazard, and when not incompatible with

Table II-11

**SYMPTOMS OF THE BURDENS OF FEDERAL INFLUENCE
(as frequently expressed by affected parties)**

Individuals

Federal taxes are too high!
Federal tax forms are too complicated!
It takes too long and is too hard to fill them out!
Some federal programs are demeaning!
Federal benefits are inadequate!
Federal protections from bad business practices are inadequate!
Certain types of basic needs are not being addressed at all by federal programs!
The federal government is too remote!
Congress is too insensitive!
Federal program administrators are insensitive and ignorant of the system they work under!
The federal courts are simplistic, overly assertive, and overbearing!
The federal government is unable to set realistic priorities; it can only orchestrate interest group pressures!

Businesses

The federal government is costing us money; reducing profits!
Federal paperwork is too burdensome and much of it is unnecessary! Too much time is spent keeping records, filing reports, and responding to government surveys!
The federal government is increasing the costs of our products!
Federal regulation is reducing competition!
The federal government is causing inflation!
The federal government is reducing productivity!
The federal government is slowing invention, innovation, and entrepreneurial activity!
The federal government is slowing capital formation!

The federal government is slowing business volume and employment!
Federal burdens discriminate against small businesses, making it hard for them to form and continue to exist!

State and Local Governments

The federal government is altering our own priorities!
The federal government allows too little state and local discretion concerning how to meet national objectives!
We must spend too much time (and money) on federal red tape and paperwork!
Federal assistance is hard to get and administer! It requires too much grantsmanship!
The federal government mandates too many activities on us without paying for them! (or with inadequate reimbursement!)
The federal government makes too many decisions affecting state and local governments, without consulting them!
The federal government shows little capacity in implementing its own programs, but pretends to possess it with ours!

SOURCES: Murray L. Weidenbaum, *The Costs of Government Regulation of Business*, A study prepared for the Subcommittee on Economic Stabilization of the Joint Economic Committee, 95th Cong., 2nd Sess., Washington, DC, U.S. Government Printing Office, April 10, 1978; Advisory Commission on Intergovernmental Relations, *The Intergovernmental Grant System as Seen by Local, State, and Federal Officials*, A-54, Washington, DC, U.S. Government Printing Office, March 1977; Advisory Commission on Intergovernmental Relations, *Changing Public Attitudes on Governments and Taxes: 1979*, S-8, Washington, DC, U.S. Government Printing Office, 1979.

any federal law, rule, regulation, order, or standard, and when not creating an undue burden on interstate commerce.”

- The *Safe Drinking Water Act* stipulates that “A state has primary enforcement responsibility for public water systems” provided the Administrator of the Environmental Protection Agency determines that the state “has adopted drinking water regulations which . . . are no less stringent than” national standards. Should a state fail to adopt or enforce such standards, the agency would apply national standards within that state.
- The *Wholesome Meat Act* grants the Secretary of Agriculture the authority to inspect meat and transfer the responsibility to a state that has enacted a law requiring meat inspection and reinspection consistent with federal standards. This act also allows states to transfer responsibility for inspection of meat for intrastate commerce to the U.S. Department of Agriculture. To date, 18 states have initiated such a transfer.
- The *Poultry Products Inspection Act* contains provisions similar to the *Wholesome Meat Act* and a total of 26 states have transferred responsibility for inspecting poultry products to the U.S. Department of Agriculture.
- The *Occupational Safety and Health Act of 1970* encourages states to assume responsibility for the development and enforcement of safety and health standards meeting federal standards by submitting a state plan to the Secretary of Labor for approval. To date, 24 states have submitted plans that have been approved by the Secretary (but the strict nature of the federal standards, difficulty of enforcement, and inadequacy of federal financial support have not attracted many other states to participate, and at least three states—New York, New Jersey, and Illinois—have been prompted to withdraw entirely from programs they had been pursuing⁴⁰). This act differs from the *Wholesome Meat Act* and *Poultry Products Inspection Act* by containing a section stipulating that “nothing in this act shall prevent any state agency or

court from asserting jurisdiction under state law over any occupational safety or health issue with respect to which no [federal] standard is in effect.”

Many other federal laws fail to contain explicit preemption language, but have been interpreted by the courts to supersede state and local laws that are inconsistent with their national objectives.

The net result of these complete and partial federal preemptions of both the direct and indirect types has been the creation of five classes of federal preemption. These have been stated in layman’s terms, with examples, by Jason Boe, president of the Oregon Senate, as follows:

1. “If you don’t, we will.”

The Occupational Safety and Health Administration and the recent effort to impose federal “minimum” standards for no-fault auto insurance are outstanding examples.

2. “If you don’t do this, you won’t get this.”

Or, if you don’t pass a maximum 55 mph speed limit, we won’t give you federal highway funds. If you don’t institute annual audits of all your programs, you won’t get your revenue sharing funds

3. “If you don’t do this, others will lose that.”

If a state does not meet federal standards under the unemployment compensation program, employers in the state lose valuable federal tax credits. This approach is currently favored as a means to force federal worker compensation standards. Recent Internal Revenue Service rulings—which we are contesting—hold that if states don’t file detailed reports and meet other federal standards for their employee pension benefits, employees will be taxed on their contributions.

4. “If you will, we will put up most of the money.”

If you, the state governments, will spend a million dollars on social services, we, the federal government, will add \$3 million to make a

Table II-12

**BREAKDOWN, BY CATEGORIES, OF SUPERSESSIVE LEGISLATION,*
1965-73**

Health and Safety (18-37.5%)

Drug Abuse Control Amendments of 1965
Federal Cigarette Labeling and Avertising Act
Federal Coal Mine Safety Act Amendments of 1965
National Traffic and Motor Vehicle Safety Act of 1966
Highway Safety Act of 1966
Federal Metal and Nonmetallic Mine Safety Act
Child Protection Act of 1966
Omnibus Crime Control and Safe Streets Act of 1968
Natural Gas Pipeline Safety Act of 1968
Radiation Control for Health and Safety Act of 1968
Gun Control Act of 1968
Federal Coal Mine Health and Safety Act of 1969
Public Health Cigarette Smoking Act of 1969
Federal Railroad Safety Act of 1970
Occupational Safety and Health Act of 1970
Federal Board Safety Act of 1971
Lead Based Paint Poisoning Prevention Amendments
Health Maintenance Organization Act of 1973

Environmental Protection and Conservation (9-18.7%)

Water Quality Act of 1965
Highway Beautification Act of 1965
Clean Air Act
Clean Air Act Amendments of 1970
Federal Environmental Pesticide Control Act of 1972
Noise Control Act of 1972

Federal Water Pollution Control Act Amendments of 1972
Marine Mammal Protection Act of 1972
Marine Protection Research and Sanctuaries Act of 1972

Consumer Protection (7-14.6%)

Fair Packaging and Labeling Act
Flammable Fabrics Act, Amendment
Wholesome Meat Act
Consumer Credit Protection Act
Poison Prevention Packaging Act of 1970
Motor Vehicle Information and Cost Savings Act
Consumer Product Safety Act

Agricultural Standards (3-6.2%)

Food and Agriculture Act of 1965
United States Grain Standards Act
Egg Products Inspection Act

Civil Rights (3-6.2%)

Civil Rights Act of 1964
Voting Rights Act of 1965
Voting Rights Act Amendments of 1970

Miscellaneous (8-16.6%)

Atomic Energy Act of 1954, Amendment
Uniform Time Act of 1966
Employment Security Amendments of 1970
Federal Deposit Insurance Act, Amendment
Horse Protection Act of 1970
Federal Election Campaign Act of 1971
Emergency Petroleum Allocation Act of 1973
Emergency Highway Energy Conservation Act

*Although some acts can fall into more than one category, the thrust of the article is not affected.

SOURCE: James B. Croy, "Federal Supersession: The Road to Domination," *State Government*, Winter 1975, p. 35.

total of \$4 million. These "matching grant" programs, however, must be considered a mixed blessing. Although these federal funds are more subject to legislative authority, they also tend to skew state spending priorities toward federal ones.

5. "We will go ahead if you, the legislature, don't object—that is, if you find out about it!"

One hundred percent federal grant programs are a form of preemption because the federal government is frequently able to conduct programs by bypassing the legislatures entirely. Even if it does not, the money is so entwined with red tape, strings, conditions and frustrations that state programs begin to become indistinguishable from federal ones.⁴¹

Table II-12 shows an inventory of nearly 50 federal laws that were enacted between 1965-75 and that supersede state legislation. Such laws continue to be enacted. For example there is the *Safe Drinking Water Act* mentioned above, the *Voting Rights Amendments of 1976*, and the currently debated energy bill, which would establish an energy mobilization board that could expedite the approval of energy products by superseding state and local laws to some greater or lesser extent, as the situations warrant.

As already mentioned, legislation is not the only route to federal preemption. Others stem from judicial interpretation of the Constitution, and:

... in particular, the Bill of Rights and the 14th Amendment. A wide range of state and local activities have been affected by such rulings. For example, the Supreme Court has ordered that electoral districts be redrawn, schools be desegregated, free counsel be provided for indigents, juvenile court procedures be reformed, and prisons and mental institutions be upgraded.

While direct court orders are issued to certain specific jurisdictions named in adjudicated cases, the principles articulated in court opinions often have general applicability. Jurisdictions not

named in the cases are in effect mandated to change their behavior, too, since not to do so would expose them to court challenge.⁴²

Another major class of federal policy mandates emanates from the bureaucracy acting under broad, and sometimes very general, delegations of power from the Congress. Federal regulatory commissions and agencies have issued many such orders and have been upheld by the courts. Most federal regulatory activity has been directed toward the private sector, but a number—primarily in fields of environmental protection and civil rights—also affect state and local governments. These include administrative regulations emanating from the *Clean Air Amendments of 1970*, the *Federal Water Pollution Control Act of 1972*, the *Safe Drinking Water Act of 1974*, the *Equal Employment Opportunity Act of 1972*, and the *Age Discrimination in Employment Act of 1967*.⁴³ These are direct orders to be complied with irrespective of any federal aid programs.

Of course the rules and regulations associated with federal grant programs and other types of federal financial assistance also emanate largely from the bureaucracy, under delegations of power from the Congress that often are quite general. Although these are not direct orders, the lure of federal funds is so strong in most cases that the effect is almost the same. The conditions of federal aid, in fact, are the largest source of federal policy substitution for state and local governments.⁴⁴ They also have the advantage of escaping strict judicial interpretations, which might limit the federal government's ability to give direct orders to state and local governments based on a fresh reading of the 10th Amendment.

Federal preemption has progressed so far in so many fields that state and local governments frequently take a "wait and see" attitude, delaying their own action when it is known that new federal laws, regulatory actions, or administrative rulemaking are imminent for a given policy area.

The power of the federal government to preempt or supersede state and local laws is well established from a legal point of view, although its form has shifted from time to time. This power rests upon the Constitutional provisions for raising and spending money, regulating

commerce, providing for the general welfare, making necessary and proper laws, and establishing the "supreme Law of the Land." Robert List, the attorney general of Nevada, has traced the legal evolution of federal preemption through four periods of time:⁴⁵

- First, prior to 1930, the U.S. Supreme Court "held that the mere fact that Congress regulated in a particular field was sufficient to preclude concurrent state legislation."
- In the 1930s the Court's doctrine changed to insist that Congress provide a clear expression of its intent in the enacted legislation to "occupy the field." This, in effect, "created a presumption in the favor of a validity of state laws in the exercise of the states' police powers," but did not challenge Congress' preemptive authority if it chose to use it deliberately.
- Then, following a 1941 decision, the Court's philosophy changed again, this time to "one of ensuring that a state statute does not stand as an obstacle to the full purposes and objectives of Congress." This put the courts into an active stance of interpreting legislative objectives and results.
- Finally, according to List, 1973 marked still another change by the Court. Now it appears that with respect to the preemption of state laws, the doctrine is to reconcile the federal supremacy clause with the 10th Amendment guarantees of state sovereignty on a case-by-case basis. Perhaps the best known case in which state sovereignty triumphed was the 1976 decision in *National League of Cities vs. Usery*. This case invalidated the 1974 amendments to the *Fair Labor Standards Act* that extended minimum wage and overtime pay protection to nonsupervisory state and local government employees, based upon a finding by the Court that these provisions vitally interfered with the integral functions of state and local governments and threatened their "separate and independent existence." Thus, the Court now seems to be shying away from an automatic predisposition in favor of either the Congress or the states.

In the policy sense federal preemption is a very complex phenomenon, with many more issues and significant nuances than have been presented above. No brief treatment can fully plumb the depths of these issues. The Southern Legislative Conference has studied the problem and made recommendations.⁴⁶ The National Institute of Municipal Law Officers has prepared a legal case book on it and held a special seminar in Washington to sensitize local officials to the issues.⁴⁷ Law school journals have begun to publish very lengthy articles on federal preemption of particular types.⁴⁸ In addition, in the 1973-76 edition, the *Index to Legal Periodicals* began to recognize the subject of "federal preemption." Federal preemption of governmental policy roles clearly is a growing and increasingly recognized phenomenon.

Federal Specification of Administrative Details

Federal laws and regulations often specify a single specific means of accomplishing a broader national objective. This shows an insensitivity to the diverse needs, resources, and capacities of state and local governments participating in the grant system.⁴⁹ This can, and does lead to federal aid recipients going through the paces of meeting the letter of the law, while either ignoring its spirit or having to rely on supplementary means of their own to meet the objective.

Matters are made worse when the specific provisions in one federal program differ from those in another, and when parallel state and local provisions contain still other provisions. In such cases compliance often must be established separately through duplicative procedures and documentation. Examples are: (1) separate environmental impact statements to meet state and federal standards, and (2) duplicate public hearings, advisory committees, and published notices to meet differing citizen participation requirements of federal, state, and local laws.

Federal requirements that are too specific may also limit state and local creativity and effectiveness in using limited resources to meet common objectives. For example, the mandating of a single type of public transit bus by the U.S. Department of Transportation for all federally assisted bus systems may be one of the

costliest ways for local communities to assure mobility to their handicapped citizens. Yet no alternative is provided if federal funds are to be retained. Likewise federal requirements for retrofitting all public buildings for total access by the handicapped may not be the only or best way to assure equal opportunities to the handicapped. On still another front the rather common federal requirement in many aid programs for a state to have a single agency to address the aided program sometimes stifles efforts at state government reorganization.⁵⁰ Federal laws requiring payment of prevailing wages sometimes are tied so directly to wage levels for broad geographic areas, and union signoffs, that wages must be paid at levels either above or below those actually existing in a local market area.

From these examples it is clear that federal requirements that are too specific may be counterproductive and/or duplicative. They can cause unwarranted red tape, and they may not be particularly effective in achieving the desired result. A state or local government that is subject to such requirements may agree completely with the national objective but still find the particularistic nature of the federal requirements onerous and burdensome.

The Costs of Federal Requirements.

The costs of federal requirements have not been tabulated in a systematic way, although there are indications that such costs are quite high. For example, *Figures II-93 through II-96* show some estimates of the costs of federal regulatory activities.⁵¹ *Figure II-93* shows that the administrative costs to the federal government are quite small in comparison to the compliance costs borne by businesses and by state and local governments.

Figure II-94 indicates the total impact of federal regulations in the safety and environmental fields on the cost of an automobile over several years. From 1968-78 these federal regulations added \$666 to the cost of a car (in constant 1977 dollars).

Figures II-95 and II-96 depict who pays the costs of federal regulation in the pollution abatement and control field—consumers, government, and business all share in substantial amounts. The growth in these costs was fairly rapid during 1972-75 for all three sectors, and

continues to rise overall, even though the government and consumer sectors have leveled off. This leveling effect is most obvious in *Figure II-96*, where the costs are measured in constant dollars.

Regulatory costs, however, are not the only ones resulting from federal influence on others. The total federal paperwork burden on individuals, businesses, and state and local governments emanates from several other sources as well, and is quite substantial. The Commission on Federal Paperwork estimated these costs in 1977 at more than \$100 billion a year and found that \$10 billion of this burden was unnecessary.⁵² Breaking these costs down for some of the major segments of society, the Paperwork Commission's figures are:

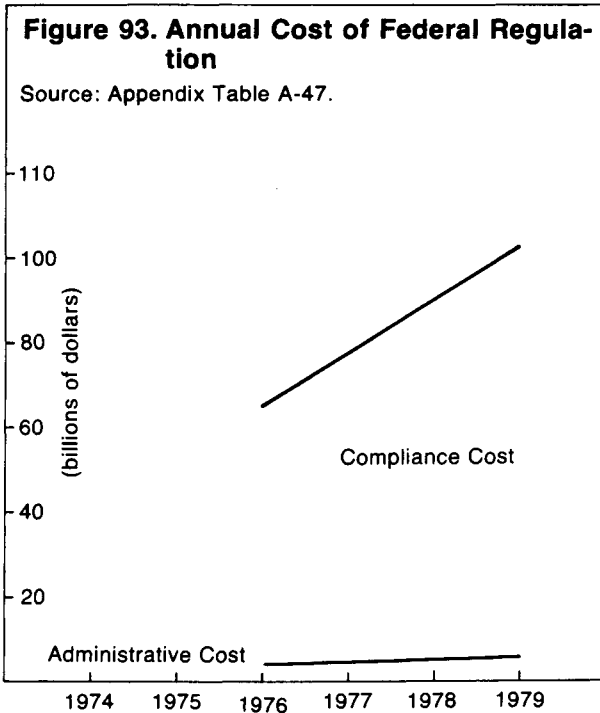
- The federal government: \$43 billion per year.
- Private industry: \$25 to \$32 billion per year.
- State and local government: \$5 to \$9 billion per year.
- Individuals: \$8.7 billion per year.
- Farmers: \$350 million per year.
- Labor organizations: \$75 million per year.

The Paperwork Commission went on to explain further some of the burdens implied by these costs:

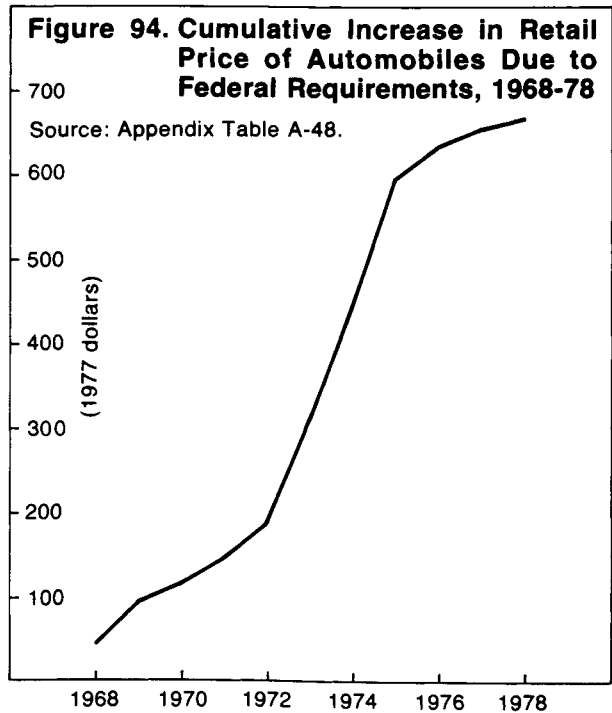
- Federal paperwork hurts most those least able to fend for themselves: the poor and disabled, the small businessman, and small institutions in the health and education areas.
- The nature of burden varies by type of respondent. But the biggest distinctions are between the problems of individuals, small businessmen, and small institutions, and the problems of large organizations, whether they are state and local governments, businesses, or institutions.
- Some respondents face very special problems with red tape. For example, programs for the disabled should not require much travel in their application procedures; government should limit questioning farmers during harvest season.

Figures II-93—II-96 Costs of Federal Regulation

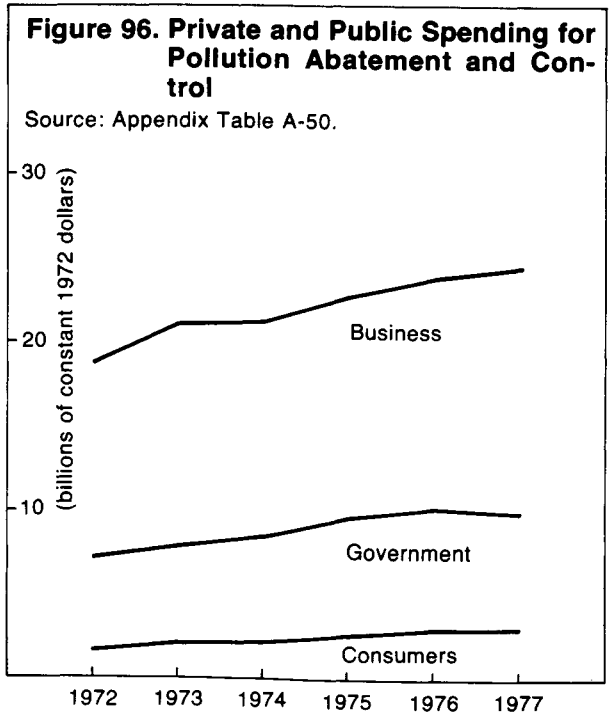
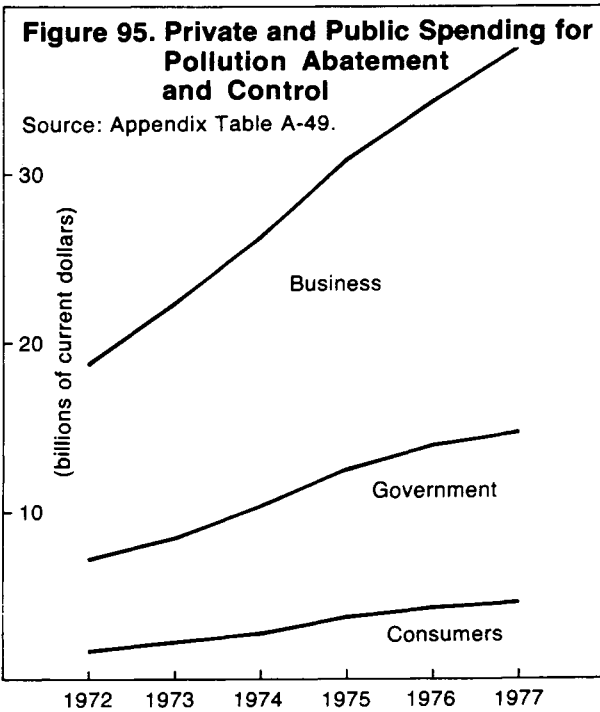
Total



Automobiles



Pollution Abatement and Control



- Economic burdens include, but go beyond, the dollar costs of filling out a report:
 - Recordkeeping systems must be set up when the requested information is not available.
 - Outside professional, legal, and accounting help may be required to “decode” or interpret federal requirements.
 - Multiple copies may be needed.
 - Costs of traveling to government offices to complete paperwork may be prohibitive for the poor and disabled.
 - Delays due to paperwork increase costs.
 - Resources spent on paperwork are not available for other, more productive purposes.
- Examples of economic burden are:
 - A school disregarded a \$4,500 grant because it would have required \$6,000 in paperwork.
 - Fifteen employees lost their pension plan because the small company could not handle the paperwork.
- Psychological burdens may be more important than dollar costs to individuals who experience:
 - frustration when completing complex forms;
 - anger when faced with multiple requests for similar data;
 - confusion in reading unclear instructions;
 - anxiety that errors may result in denial of benefits or legal consequences; and
 - fear that confidential information may be abused.
- Examples of psychological burdens are:
 - the frustration and anger of a family that must spend 35 hours filling out a student aid application, and
 - the confusion and anxiety of an individual filling out a complicated tax return.

- Cumulative burdens occur when the sum of requests becomes overwhelming. Some examples are:
 - One company had to comply with federal requests for 8,800 reports from 18 different agencies in one year.
 - Some welfare and service programs require separate applications even when, by law, eligibility for one program confers eligibility for others.⁵³

These excessive paperwork costs result from lack of communication, governmental insensitivity to the problems caused by paperwork, poor design of governmental forms and instructions, overlapping government organizations and programs, poor program design, poor information practices, and inconsistent and ineffective confidentiality policies. According to the Paperwork Commission, although 90% of this paperwork probably is necessary to meet government objectives, that makes it even more important to pursue the potential 10% reduction.

The U.S. Office of Management and Budget (OMB) has been charged by legislation with promoting the realization of the potential savings identified by the Paperwork Commission. As part of its charge, OMB must report to the Congress and the President every six months on progress toward fulfilling the recommendations of the commission. *Figure II-97* shows graphically the types of reports being submitted in accordance with federal requirements, the federal agencies requiring them, and the number of hours required to prepare these reports, as found by OMB in its first six-month report. It can be seen that taxes and regulatory activities require the most time, but the total burden includes applications for federal benefits, research and evaluation reports, and statistical surveys.

Figure II-98 illustrates how the number of pages in the *Federal Register* has grown from 1970 to 1978.⁵⁴

According to OMB's third semi-annual report, 269 of the 520 recommendations (52%) addressed to the executive branch by the Paperwork Commission have been implemented, while 80 (15%) have been rejected, and 171 (33%) remain under active consideration.⁵⁵

A different type of federal pressure that is

Figures II-97 and II-98 Burdens of Federal Paperwork and Salary Influences

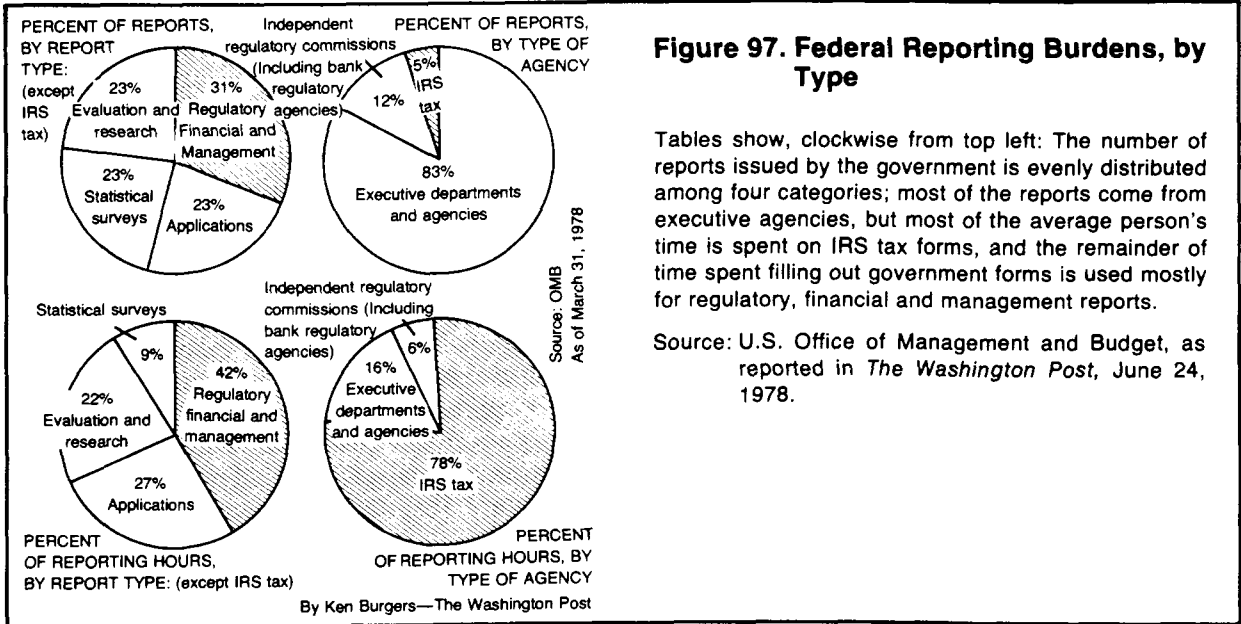
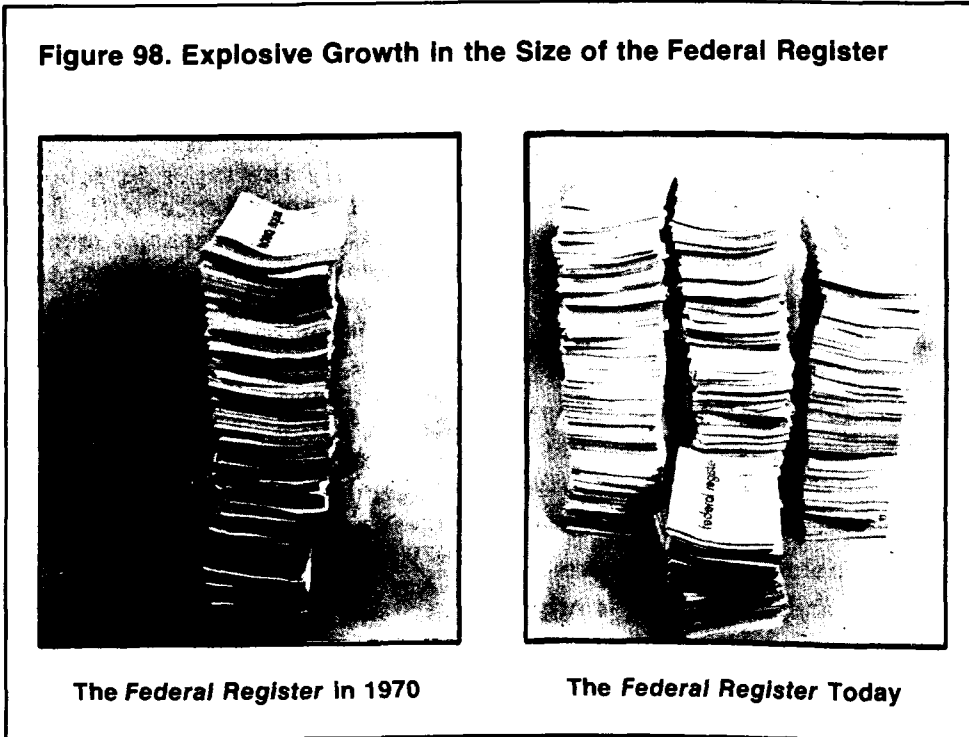


Figure 97. Federal Reporting Burdens, by Type

Tables show, clockwise from top left: The number of reports issued by the government is evenly distributed among four categories; most of the reports come from executive agencies, but most of the average person's time is spent on IRS tax forms, and the remainder of time spent filling out government forms is used mostly for regulatory, financial and management reports.

Source: U.S. Office of Management and Budget, as reported in *The Washington Post*, June 24, 1978.



exerted on state and local governments is illustrated by Figure 99. This shows that federal payroll increases (in dollars) have nearly paralleled the increases in state and local payrolls, even though the number of federal employees continues to lag farther and farther behind. This means that in most cases, federal pay scales have outstripped those of most state and local governments. Although there are some logical reasons for this situation, related to the more highly skilled nature of many federal jobs, these federal pay scales tend to exert upward pressures on salaries of state and local governments, making it more difficult for them to attract and keep well qualified personnel.

Unintended Federal Effects on the Economy

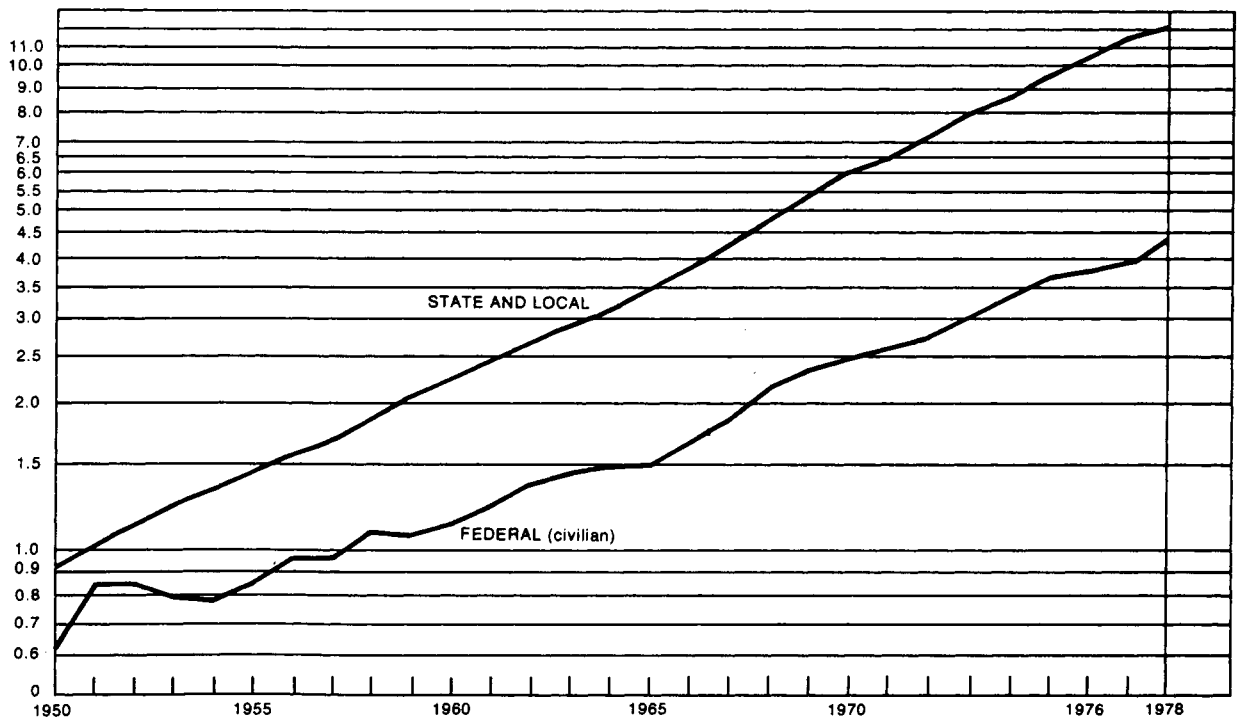
Murray Weidenbaum has made the point to the Joint Economic Committee of Congress that government regulations affect the taxpayer, the

motorist, the businessman, the consumer, the worker, the investor, and the nation as a whole.⁵⁶ He describes these effects in economic terms, concentrating on the costs imposed, although he also recognizes that benefits exist. His purpose is to focus on the cost side to stimulate analyses of governmental regulations that eventually might be seen more in the light of benefit-cost relationships.

When Weidenbaum looks at the cost of government regulation, he finds that the taxpayer is paying more to support it; the motorist is paying more for his new car; the businessman has been bureaucratized and saddled with higher costs, more red tape and paperwork, and a loss of time for innovation and entrepreneurship; the homeowner is paying more for the same house; the consumer faces higher prices; the worker faces a greater likelihood of being laid off; the investor finds it more difficult to accumulate capital for increased pro-

Figure 99. Government Payrolls, 1950-78
(Logarithmic Scale)

MONTHLY PAYROLLS
Billions of Dollars



Note: Data are for month of October; 1957 data were reported for April and have been adjusted for comparability to October.

Source: Appendix Table A-51.

duction; and the nation as a whole faces inflation and lowered productivity.

Phillip Cagan has prepared a similar analysis of the inflationary effects of government interference in markets.⁵⁷ While offering no easy answers, he finds that higher prices have resulted from agricultural price supports, transportation regulation, import restrictions, environmental and safety regulations, sales and payroll taxes, labor restrictions (such as minimum wage laws and support of unionization), the failure to enforce antitrust and trade laws as originally intended, federal subsidies of medical costs, and legal remedies for product and service liability (including medical malpractice awards and recalls of manufactured products). He also sees a connection between higher prices and the expansion of governmental and nonprofit sectors in the economy (which are characterized by low incentives and fewer opportunities for improved productivity). Growth in these sectors, he believes, tends to hold down overall productivity improvements in the economy.

These effects, noted by Weidenbaum and Cagan, were not intended. The government was simply trying to help the farmer, protect the consumer from monopoly prices in the transportation field (or the failure of transportation industries), provide safer automobiles and better houses, protect domestic firms from unfair foreign competition, protect and adequately compensate workers, create a healthy environment, make medical care more readily available, and protect consumers from medical malpractice or injury due to the use of defective products. Nevertheless perceptible impacts on the economy have resulted. This has spawned proposals for deregulation, the streamlining of regulatory processes, greater reliance on free market mechanisms, and widespread use of economic impact statements as a means of confronting the economic side effects of governmental activities before new programs are undertaken.

SUMMARY: BIGGER, BROADER, AND DEEPER

The federal government has grown much larger than it was even a few decades ago. The 1930s were the turning point. Since then the

scope of federal activities has broadened tremendously, adding a massive social welfare dimension heretofore reserved almost exclusively to the state, local, and private sectors. It has placed the federal government in major new areas—federal aid, income redistribution, and regulation—which affect most state and local governments, businesses and other private organizations, and families or individuals.

As has been shown, the federal government has grown, partly because of this increased scope of activities, but also because of increases in the size of the nation, in its world responsibilities (defense and foreign affairs), and in the deepening of the nation's commitments to maintaining a healthy national economy and enhancing the opportunities for, and general well-being of, all Americans.⁵⁸ The forces of urbanization, technological advance, improved information and communications systems, changing population characteristics, and rising standards of living undoubtedly all have contributed to this growth of government and the expanding role of the federal government.

The 1960s and 1970s saw particularly rapid growth in federal government use of loans and grants, transfer payments to individuals, off-budget loan guarantees, tax expenditures, and regulation. This growth moved the federal government predominantly away from activities in which it is the principal service provider, toward activities in which it shares responsibilities with the state and local governments and the private sector. Although growth in federal employment has leveled off, federal aid has helped state and local employment to spurt ahead. In relation to the economy and to growth of the state and local governments, federal growth generally has leveled off by most financial and employment measures.

As a result of these recent trends, inter-governmental relationships have become increasingly important. Interdependencies between the federal government and the other sectors of the economy (both public and private) have intensified. The federal government's influence is felt throughout the nation by virtually all individuals, businesses, other private organizations, and state and local governments. This increased influence causes both pleasure and pain. Income assistance, federally

created jobs, a cleaner environment, safer products, better working conditions, needed community improvements, and the like are accompanied by complaints of excessive paperwork, unnecessary delays, unexpected costs and losses in productivity, and too much fed-

eral decisionmaking at the expense of private freedoms and policymaking discretion by the state and local governments. Undoubtedly the federal government affects more individuals, businesses, and subnational governments more intimately and more intensely than ever before.

FOOTNOTES

- ¹ William Anderson, "Federalism—Then and Now," *State Government*, Vol. 16, May 1943, pp. 107–12, quoted in Edward S. Corwin, "The Passing of Dual Federalism," *Virginia Law Review*, *op. cit.*, Vol. 36, February 1950, pp. 23–24n.
- ² James Sterling Young, *The Washington Community: 1800—1828*, New York, NY, Harcourt Brace Jovanovich, A Harvest/HBJ Book, 1966.
- ³ *Ibid.*, pp. 30–31.
- ⁴ *Ibid.*, p. 31.
- ⁵ Council of State Governments, *Federal-State Relations*, a report of the Commission on the Organization of the Executive Branch of the Government (Hoover Commission), Senate Document No. 81, 81st Cong., 1st Sess., Washington, DC, U.S. Government Printing Office, March 25, 1949, pp. 2–19.
- ⁶ *Ibid.*, pp. 11–12.
- ⁷ *Ibid.*, pp. 20–21.
- ⁸ The concept of "significant growth" used here is not a methodologically precise one. Basically, it denotes upward trends of a large and sustained nature, including in some cases the beginning phase of such trends, even though these may have been modest initially. No rigid criteria for rates of change have been applied. Only a general overview of major trends is intended here.
- ⁹ Federal mandates are of two types. First, there are direct orders as occur in regulatory decisions. Secondly, there are conditions that must be met in connection with eligibility for federal aid. These will be examined more closely in a later section of this chapter.
- ¹⁰ Herbert Kaufman, *Are Government Organizations Immortal?*, Washington, DC, The Brookings Institution, 1976.
- ¹¹ *Ibid.*, p. 49.
- ¹² Including the U.S. Department of Education, established in 1979.
- ¹³ U.S. General Services Administration, National Archives and Records Service, *United States Government Manual: 1978/1979*, Washington, DC, U.S. Government Printing Office, 1978.
- ¹⁴ Catherine H. Lovell, et. al., *Federal and State Mandating to Local Government: Impacts and Issues*, Riverside, CA, University of California, 1979 draft, p. 57.
- ¹⁵ ACIR, *A Catalog of Federal Grant-In-Aid Programs to State and Local Governments: Grants Funded FY 1978, A-72*, Washington, DC, U.S. Government Printing Office February 1979, p. 1.
- ¹⁶ Of course there also is a substantial amount of other untaxed income in addition to tax expenditures. This includes, for example, personal incomes that fall below the taxable amounts. It should be noted that defining and estimating tax expenditures are complex and somewhat controversial tasks. Essentially such estimates are hypothetical; they reflect what might have been, but never was; and they do not take account of secondary effects, interactions among separate provisions, or taxpayer reactions that might affect the actual amounts of their tax liabilities under varying conditions.
- ¹⁷ The U.S. Office of Management and Budget cautions against adding up the estimates of individual tax expenditures, because their interactions would not be taken into account. Thus the total used here should not be considered to be a precise figure.
- ¹⁸ Congressional Budget Office, *Five-Year Budget Projections and Alternative Budget Strategies for Fiscal Years 1980–1984: Supplemental Report on Tax Expenditures*, Washington, DC, U.S. Government Printing Office, June 1979, p. 2. See also *Special Analysis, Budget of the United States Government, 1980*, "G. Tax Expenditures," Washington, DC, U.S. Government Printing Office, 1979.
- ¹⁹ Of course two-thirds of this amount (transfers and tax expenditures, per Table II-4) consists of basic eligibility determination, check writing, and tax enforcement processes, which require substantially less administrative effort than the other one-third (grants and credit assistance).
- ²⁰ Some argue that the large-scale use of consultants and other contract personnel by the federal government results from ceilings imposed on agencies regarding the size of their permanent staffs. See Keith A. Sinsinger, "Staff Ceilings Major Cause of Contracting-Out Abuses: Witnesses Testify on Hill," *Federal Times*, Vol. 15, No. 30, Washington, DC, September 24, 1979, pp. 1, 6.
- ²¹ As was the case with description of Figure II-1, the concept of "significant growth" used here is not a methodologically precise one. Basically it denotes upward trends of a large and sustained nature, including in some cases the beginning phase of such trends even though these may have been modest initially. No rigid criteria for rates of change have been applied. Only a general overview of major trends is intended here.
- ²² Of course many identical or similar bills are introduced. Thus it would not be expected that they all would be passed.
- ²³ Bayless Manning, "Hyperlexis: Our National Disease," *The Congressional Record*, Washington, DC, U.S. Government Printing Office, March 16, 1978, pp. S3948–S3952.
- ²⁴ Richard Rose, "On the Priorities of Government: a Developmental Analysis of Public Policies," *European*

Journal of Political Research, Vol. 4, No. 3, September 1976, pp. 247-89.

- ²⁵ For a more thorough history of the relative growth of the various federal, state, and local activities in the period 1900-50, see Solomon Fabricant, *The Trend of Government Activity in the United States Since 1900*, New York, NY, National Bureau of Economic Research, Inc., 1952.
- ²⁶ This is a functional category maintained by the Census Bureau up through 1977. It does not coincide with the changing names of federal grant programs. While there has been no federal program called "urban renewal" since 1974, urban renewal projects still are being funded through the community development block grant program.
- ²⁷ Herbert Kaufman, *Red Tape: Its Origins, Uses, and Abuses*, Washington, DC, The Brookings Institution, 1977, pp. 60-61.
- ²⁸ *Ibid.*, pp. 5-6.
- ²⁹ Richard P. Nathan, Allen D. Manvel, Susannah E. Calkins, and Associates, *Monitoring Revenue Sharing*, Washington, DC, The Brookings Institution, 1975, p. 281. See also: Robert D. Lee, Jr., *The Impact of General Revenue Sharing on Local Jurisdictions in Pennsylvania: Initial Findings*, University Park, PA, Institute of Public Administration, The Pennsylvania State University, October 1974, p. 3; and G. Ross Stephens and Gerald W. Olson, *State Responsibility for Public Services and General Revenue Sharing*, Final Report, Kansas City, MO, University of Missouri, June 15, 1975, p. vii.
- ³⁰ U.S. Department of the Treasury, Office of Revenue Sharing, "Revenue Sharing Funds Distributed," News Release dated October 11, 1979, Washington, DC.
- ³¹ U.S. Department of Commerce, Bureau of the Census, *1977 Census of Governments: Finances of School Districts*, Vol. 4, *Governmental Finances*, No. 1, Washington, DC, U.S. Government Printing Office, March 1979.
- ³² U.S. Department of Health, Education, and Welfare, Education Division, National Center for Education Statistics, *The Condition of Education*, 1978 Edition, Statistical Report, Washington, DC, U.S. Government Printing Office, p. 49.
- ³³ U.S. Department of Commerce, Bureau of the Census, *1977 Census of Governments*, Vol. 4, *Governmental Finances*, No. 2, *Finances of Special Districts*, Washington, DC, U.S. Government Printing Office, May 1979, p. 2.
- ³⁴ U.S. Department of Commerce, Bureau of the Census, *1977 Census of Governments*, Vol. 6, *Topical Studies*, No. 6, *Regional Organizations*, Washington, DC, U.S. Government Printing Office, August 1978, p. 74.
- ³⁵ *Problems of Federal-State-Local Relations*, Hearing before the Subcommittee on Intergovernmental Relations, Committee on Government Operations, U.S. Senate, 87th Cong., 2nd Sess., September 18, 1962, p. 4.
- ³⁶ *Nation's Cities Weekly*, January 8, 1979, p. 3.
- ³⁷ William H. Riker, *Federalism: Origin, Operation, Significance*, Boston, MA, Little, Brown and Company, 1964, p. 82.
- ³⁸ These and the immediately following points about full and partial preemption are made in the following references: James B. Croy, "Federal Supersession: The Road To Domination," *State Government*, Winter 1975, pp. 32-36; U.S. Congressional Budget Office, *Federal Constraints on State and Local Government Actions: A Background Paper*, Washington, DC, U.S. Government Printing Office, March 1979; Lovell, et. al., *op. cit.*; Joseph F. Zimmerman, "Partial Federal Preemption and Changing Intergovernmental Relations," a paper prepared for the 1979 Annual Meeting of the American Political Science Association, August 31-September 3, 1979.
- ³⁹ Zimmerman, *ibid.*, pp. 17-19.
- ⁴⁰ Rose F. Kaiden, "American Federalism: Its Impact on OSHA Legislation," unpublished class paper, Temple University, Center for the Study of Federalism, Philadelphia, PA, January 1978, pp. 18-19.
- ⁴¹ Jason Boe, "Federal Pre-emption Threatens to Undermine State-Federal Partnership," *State Legislatures*, October 1978, pp. 7-8.
- ⁴² U.S. Congressional Budget Office, *Federal Constraints on State and Local Government Actions: A Background Paper*, *op. cit.*, p. 6.
- ⁴³ *Ibid.*, p. 7.
- ⁴⁴ Lovell, *op. cit.*, p. 57.
- ⁴⁵ Robert List, "Federal Preemptive Actions," *State Government*, Winter 1977, pp. 29-32.
- ⁴⁶ Neal Peirce, "Federal Preemption and the States' Role," *State Government*, Summer 1978, pp. 176-77.
- ⁴⁷ Charles S. Rhyne, *Federalism: Recent Developments, Future Directions*, Washington, DC, National Institute of Municipal Law Officers, 1977.
- ⁴⁸ Richard B. Stewart, "Pyramids of Sacrifice? Problems of Federalism in Mandating State Implementation of National Environmental Policy," *The Yale Law Journal*, Vol. 86, 1977, pp. 1196-1272; James D. Hutchinson and David M. Ifshin, "Federal Preemption of State Law Under the Employee Retirement Income Security Act of 1974," *The University of Chicago Law Review*, 46, 1978, pp. 23-80.
- ⁴⁹ ACIR, *Categorical Grants: Their Role and Design*, A-52, Washington, DC, U.S. Government Printing Office, 1977, p. 238.
- ⁵⁰ Such requirements may be waived in certain circumstances under a provision of the *Intergovernmental Cooperation Act of 1968*.
- ⁵¹ While these estimates have been questioned on the basis of inadequate data and deficient methodology, there currently are no similar ones available. See Julius W. Allen, *Estimating the Costs of Federal Regulation: Review of Problems and Accomplishments to Date*, Report No. 78-205E, Washington, DC, Congressional Research Service, U.S. Library of Congress, September 26, 1978.
- ⁵² U.S. Commission on Paperwork, *Final Summary Report*, Washington, DC, U.S. Government Printing Office, October 3, 1977, p. 5.
- ⁵³ *Ibid.*, pp. 5-6.
- ⁵⁴ See Figure II-18 and its source table in the appendix for actual numbers. By 1975 the number of pages published annually had topped 60,000.
- ⁵⁵ U.S. Office of Management and Budget, *Paperwork and Red Tape: New Perspectives, New Directions*, Washington, DC, U.S. Government Printing Office, September 1979, p. 9.
- ⁵⁶ Murray L. Weidenbaum, *The Costs of Government Regulation of Business*, A Study Prepared for the Subcommittee on Economic Stabilization of the Joint Economic Committee, 95th Cong., 2nd Sess., Washington, DC, U.S. Government Printing Office, March 1977.
- ⁵⁷ Phillip Cagan, "Inflationary Effects of Government Influence in Markets," *Inflation and National Survival*, Proceedings of the Academy of Political Sci-

ence, Vol. 3, No. 3, edited by Clarence C. Walton, New York, NY, The Academy of Political Science, 1979, pp. 26-41.

⁵⁸ These factors are more deeply explored in Fabricant, *op. cit.*, pp. 140-55; and Freeman, *op. cit.*, pp. 153-82.

The Scope of the Federal Role Report

This ten-volume report reviews the present role of the federal government in the federal system and the nature of needed changes. Historical and political perspectives are used to examine the processes and forces that have encouraged federal assumption of new or expanded national responsibilities for many domestic services. The primary focus of the report is on the contemporary era—since 1960. In keeping with the Congressional mandate to the Commission, an attempt is made to identify the forces that have affected American federalism in the recent past and to project these into the future. A better understanding of where we are now, how we got here, and where we appear to be heading seems an essential component for developing wiser and more effective inter-governmental policies.

Many of the points mentioned briefly in this introductory volume are examined in considerable detail in other volumes of this report series, where the format shifts—from the general, to the functionally specific, and back to the general. This volume has outlined the scope and the character of federal growth—programmatic, fiscal, functional, regulatory, and administrative—largely in quantitative terms. Volume II examines in some detail: (1) the principal traditional and modern theories

of federalism to determine their contribution to the current debate on the appropriate allocation of functions; (2) the Constitutional, political, and fiscal constraints that limited federal activities in the past but have been weakened in recent decades; and (3) the sizable social science literature, principally by economists and political scientists, dealing with the size and growth of the public sector. This social science literature provides a substantial range of interpretations—"hypothesis," really—as

applied to the recent American experience and is intended as a prelude to the series of case studies that are the analytic heart of this federal role study.

The case studies in Volumes III through IX provide some examples of both "major" and "minor" fields of federal activity. They offer much more detailed and specific information on the evolution of national assistance programs. Each case study stresses the dynamics of program development and the political ac-

Table III-1

**THE FEDERAL ROLE IN THE FEDERAL SYSTEM:
THE DYNAMICS OF GROWTH**

<i>Volume I</i>	A Crisis of Confidence and Competence 1. The Question of Federalism: Key Problems 2. Indicators of Federal Growth 3. The Scope of the Federal Role Report
<i>Volume II</i>	The Condition of Contemporary Federalism: Conflicting Theories and Collapsing Constraints 1. Alternative Perspectives on Federalism 2. Breakdown of Constitutional Constraints; Interpretive Variations from the First Constitutional Revolution to the "Fourth" 3. Government UnLocked: Political Constraints on Federal Growth Since the 1930s 4. Financing Federal Growth: Changing Aspects of Fiscal Constraints 5. Governmental Growth: Conflicting Interpretations in the Social Sciences
<i>Volume III</i>	Public Assistance: The Growth of a Federal Function
<i>Volume IV</i>	Reducing Unemployment: Intergovernmental Dimensions of a National Problem
<i>Volume V</i>	Intergovernmentalizing the Classroom: Federal Involvement in Elementary and Secondary Education
<i>Volume VI</i>	The Evolution of a Problematic Partnership: The Feds and Higher Ed
<i>Volume VII</i>	Protecting the Environment: Politics, Pollution, and Federal Policy
<i>Volume VIII</i>	Federal Involvement in Libraries
<i>Volume IX</i>	The Federal Role in Local Fire Protection
<i>Volume X</i>	An Agenda for American Federalism: Restoring Confidence and Competence 1. American Federalism 1960-1980: Contrasts and Continuities 2. The Dynamics of Growth in Federal Functions: An Analysis of Case Study Findings 3. The Federal Role: Criteria, Assessment, and Analysis 4. Issues and Recommendations

tors, as well as the political circumstances, that seemed most fundamental to the growth of the federal role in the functional areas probed.

Volume X—the final element in the report series—recapitulates the basic findings of the preceding volumes, analyzes them in relation to each other, examines criteria that might be applied in sorting out appropriate federal roles, and presents the Commission's position on the principal findings, issues, and related recommendations.

This report does not attempt a program-by-program review of federal aid and regulatory activities or other aspects of the national government's domestic role. The latest comprehensive effort at that scale was conducted by the Commission on Intergovernmental Relations (CIR) in 1953-55. The resulting 16-volume study involved 43 professional and 33 administrative staff, outside consultants, and a

number of study and advisory committees. At that time the aid system was far less complex, embracing a much narrower range of functional responsibilities than is the current case: in 1955 the CIR identified only 61 grant-in-aid programs; today, nearly 500 exist.

Given the very substantial resources that a new comprehensive investigation would require, it has been the practice of ACIR to address, individually, issues of functional responsibility, as they pertain to specific problem fields and as they arise. A substantial number of past Commission reports and recommendations have dealt with particular fields of federal policy; these are referenced in the final volume. Additional fields undoubtedly will be examined in the future. The present ten-volume report, as outlined in *Table III-1*, is only a beginning in the effort to decongest the federal system.

APPENDIX TABLES

Table A-1
**GOVERNMENT REVENUES IN THE UNITED STATES,
 SELECTED YEARS, 1902-80**

Fiscal Years	All Governments (millions)	Federal Government (millions)	Federal Government (as percent of GNP)	All Government (as percent of GNP)	Federal Revenue (as percent of all Government)
1902	\$ 1,694	\$ 653	3.2%	8.2%	38.5%
1913	2,980	962	2.6	8.1	32.3
1922	9,322	4,261	5.9	12.8	45.7
1932	10,289	2,634	3.9	15.3	25.6
1942	28,352	16,062	11.6	20.4	56.6
1952	100,245	71,798	21.3	29.7	71.6
1962	168,062	106,441	19.6	31.0	63.3
1972	381,849	223,378	20.3	34.7	58.5
1973	—	254,160	—	—	—
1974	—	289,013	—	—	—
1975	—	303,745	—	—	—
1976	—	324,858	—	—	—
1977	—	383,524	—	—	—
1978	—	431,280	—	—	—
1979 est.	—	500,500	—	—	—
1980 est.	—	562,000	—	—	—

SOURCE: 1902-72 figures as cited in Freeman, Roger A., *The Growth of American Government*, Stanford, CA, Hoover Institution Press, Stanford University, 1975. 1973-80 figures compiled by ACIR staff.

Table A-2
GOVERNMENT EXPENDITURES, SELECTED YEARS, 1929-79¹

Years	Total Public Sector Federal (billions of current dollars)		Federal Expenditure as Percent of all Government Expenditures	Exhibits: GNP, Product, Population and Personal Income GNP (in billions)
1929	\$ 10.2	\$ 2.6	25.4%	\$ 103.4
1939	17.4	8.9	51.1	90.8
1949	59.3	41.3	69.6	258.0
1954	97.0	69.8	72.0	366.3
1959	131.0	91.0	69.5	486.5
1964	176.3	118.2	67.0	635.7
1969	285.6	188.4	66.0	935.5
1974	458.2	299.3	65.3	1,412.9
1975	532.8	356.8	67.0	1,528.8
1976	570.3	385.2	67.5	1,700.1
1977	621.8	422.6	68.0	1,887.2
1978 Preliminary	685.0	461.0	67.3	2,106.0
1979 est.	764.5	507.0	66.3	2,343.0
	As percent of GNP			Population (000)
1929	9.9	2.5		121,767
1939	19.2	9.8		130,880
1949	23.0	16.0		149,767
1954	26.5	19.1		163,026
1959	26.9	18.7		177,830
1964	27.7	18.6		191,889
1969	30.5	20.1		202,677
1974	32.4	21.2		211,901
1975	34.9	23.3		213,540
1976	33.5	22.7		215,078
1977	32.9	22.4		217,329
1978 Preliminary	32.5	21.9		219,068
1979 est.	32.6	21.6		220,714
	Per Capita in Constant Dollars (1967 dollars)			Personal Income (P/C) ²
1929	\$ 163	\$ 42		\$1,359
1939	320	163		1,330
1949	555	386		1,923
1954	739	532		2,196
1959	844	586		2,461
1964	989	663		2,781
1969	1,283	847		3,351
1974	1,464	956		3,690
1975	1,548	1,037		3,647
1976	1,555	1,050		3,766
1977	1,576	1,071		3,876
1978 Preliminary	1,604	1,079		4,003
1979 est.	1,638	1,086		4,057

¹ National income and product accounts.

² Based on consumer price index.

SOURCE: ACIR staff computations based on U.S. Department of Commerce, Bureau of Economic Analysis. *The National Income and Product Accounts of the United States, 1929-74, Statistical Tables and Survey of Current Business*, various years, Washington, DC, U.S. Government Printing Office; U.S. Bureau of the Census, Department of Commerce, *Governmental Finances*, annually, Washington, DC, U.S. Government Printing Office; *Budget of the United States Government*, various years, Washington, DC, U.S. Government Printing Office; *Economic Report of the President*, January 1979, Washington, DC, U.S. Government Printing Office; and ACIR staff estimates.

Table A-3
**GROWTH IN FEDERAL DEFICIT
 SPENDING, SELECTED YEARS,
 1929-80**
 (receipts, outlays in millions of dollars)

Fiscal Year	Receipts	Outlays	Surplus/ Deficit	Fiscal Year	Receipts	Outlays	Surplus/ Deficit
1929	\$ 3,862	\$ 3,127	\$ 734	1959	79,249	92,104	-12,855
1933	1,997	4,598	-2,602	1960	92,492	92,223	269
1939	4,979	8,841	-3,862	1961	94,389	97,795	-3,406
1940	6,361	9,456	-3,095	1962	99,676	106,813	-7,137
1941	8,621	13,634	-5,013	1963	106,560	111,311	-4,751
1942	14,350	35,114	-20,764	1964	112,662	118,584	-5,922
1943	23,649	78,533	-54,884	1965	116,833	118,430	-1,596
1944	44,276	91,280	-47,004	1966	130,856	134,652	-3,796
1945	45,216	92,690	-47,474	1967	149,552	158,254	-8,702
1946	39,327	55,183	-15,856	1968	153,671	178,833	-25,161
1947	38,394	34,532	3,862	1969	187,784	184,548	3,236
1948	41,774	29,773	12,001	1970	193,743	196,588	-2,845
1949	39,437	38,834	603	1971	188,392	211,425	-23,033
1950	39,485	42,597	-3,112	1972	208,649	232,021	-23,373
1951	51,646	45,546	6,100	1973	323,335	247,094	-14,849
1952	66,204	67,721	-1,517	1974	264,932	269,620	-4,688
1953	69,574	76,107	-6,533	1975	280,997	326,185	-45,188
1954	69,719	70,890	-1,170	1976	300,005	366,439	-66,434
1955	65,469	68,509	-3,041	1977	357,762	402,725	-44,963
1956	74,547	70,460	4,087	1978	401,997	450,836	-48,839
1957	79,990	76,741	3,249	1979	465,940	493,673	-27,733
1958	79,636	82,575	-2,939	1980 est.	523,829	563,583	-39,754

Note: Data for 1929-39 are according to the administrative budget, and those for 1940 according to the unified budget. Certain interfund transactions are excluded from receipts and outlays beginning with 1932. For years prior to 1932 the amounts of such transactions are

not significant. Refunds of receipts are excluded from receipts and outlays.

SOURCE: Department of the Treasury and Office of Management and Budget.

Table A-4
**PUBLIC DEBT OF THE FEDERAL
 GOVERNMENT, SELECTED YEARS,
 1902-77**
 (as of June 30)

Year	Amount (billions of dollars)	Year	Amount (billions of dollars)
1916	\$ 1.2	1947	\$255.4
1917	3.0	1948	251.6
1918	12.5	1949	256.1
1919	25.5	1950	255.4
1920	24.3	1951	258.1
1921	24.0	1952	266.2
1922	23.0	1953	273.8
1923	22.3	1954	277.2
1924	21.2	1955	279.1
1925	20.5	1956	275.5
1926	19.6	1957	274.2
1927	18.5	1958	282.2
1928	17.6	1959	288.7
1929	16.9	1960	287.7
1930	16.2	1961	293.6
1931	17.8	1962	300.2
1932	20.8	1963	306.0
1933	23.8	1964	314.3
1934	28.5	1965	317.2
1935	30.6	1966	325.6
1936	34.4	1967	341.8
1937	37.3	1968	356.2
1938	39.4	1969	367.4
1939	41.9	1970	388.3
1940	45.0	1971	423.4
1941	57.9	1972	448.4
1942	108.2	1973	469.1
1943	165.9	1974	492.7
1944	230.6	1975	576.7
1945	278.1	1976	653.5
1946	258.9	1977	718.9

SOURCE: U.S. Bureau of the Census, Department of Commerce, *Historical Statistics of the United States, Colonial Times to 1970*, Washington, DC, U.S. Government Printing Office, 1975, and Treasury Department.

Table A-5
**PAID CIVILIAN EMPLOYMENT OF
 THE FEDERAL GOVERNMENT,
 SELECTED YEARS, 1910-79**
 (thousands of persons)

Year	Judicial		Year	Judicial	
	Branch	Total		Branch	Total
1910	2.4	388.7	1955	4.1	2,397.3
1915	2.2	395.4	1960	5.0	2,398.7
1920	2.0	655.3	1965	5.9	2,527.9
1925	1.8	553.0	1970	6.9	2,981.6
1930	1.8	601.3	1975	10.0	2,882.0
1935	1.9	780.6	1976	11.0	2,879.0
1940	2.5	1,042.4	1977	12.0	2,855.0
1945	2.7	3,816.3	1978	13.0	2,875.0
1950	3.8	1,960.7			

SOURCE: U.S. Bureau of the Census, Department of Commerce, *Historical Statistics of the United States, Colonial Times to 1970*, Washington, DC, U.S. Government Printing Office, 1975; and *Statistical Abstract of the United States, 1979*, Washington, DC, U.S. Department of Commerce, U.S. Government Printing Office, 1979.

Table A-6
**BIRTHS AND DEATHS OF FEDERAL ORGANIZATIONS,
 BY PRESIDENTIAL TERM, 1789-1973^a**

Presidential Term	Births	Deaths ^b	Net Increase or Decrease	Cumulative Total	Percentage Increase or Decrease
1789-92	11	—	—	—	—
1793-96	—	—	—	11	—
1797-1800	—	—	—	11	—
1801-04	—	—	—	11	—
1805-08	1	—	1	12	9%
1809-12	1	—	1	13	8
1813-16	—	—	—	13	—
1817-20	2	—	2	15	15
1821-24	1	—	1	16	7
1825-28	—	—	—	16	—
1829-32	1	—	1	17	6
1833-36	5	—	5	22	29
1837-40	1	—	1	23	5
1841-44	—	—	—	23	—
1845-48	—	—	—	23	—
1849-52	4	—	4	27	17
1853-56	5	—	5	32	19
1857-60	2	—	2	34	6
1861-64	11	—	11	45	32
1865-68	5	—	5	50	11
1869-72	10	—	10	60	20
1873-76	4	—	4	64	7
1877-80	4	—	4	68	6
1881-84	5	—	5	73	7
1885-88	4	—	4	77	5
1889-92	7	—	7	84	9
1893-96	4	—	4	88	5
1897-1900	2	—	2	90	2
1901-04	15	—	15	105	17
1905-08	9	—	9	114	9
1909-12	15	—	15	129	13
1913-16	17	—	17	146	13
1917-20	16	—	16	162	11
1921-24	14	4	10	172	6
1925-28	3	5	-2	170	-1
1929-32	—	—	—	170	—
1933-36	11	3	8	178	5
1937-40	20	2	18	196	10
1941-44	9	4	5	201	3
1945-48	22	—	22	223	11
1949-52	13	3	10	233	4
1953-56	22	6	16	249	7
1957-60	4	—	4	253	2
1961-64	28	—	28	281	11
1965-68	33	—	33	314	12
1969-72	57	—	57	371	18
1973	23	—	23	394	6

^aData do not include organizations that were born and died between 1923 and 1973.

^bMortality figures for 1924-73 only.

SOURCE: Kaufman, Herbert, *Are Government Organizations Immortal?*, Washington, DC, The Brookings Institution, 1976, pp. 48-49.

Table A-7
GROWTH OF CONGRESSIONAL STAFF, SELECTED YEARS, 1947-78

	Senate		House		Total
	Personal Staff	Committee Staff	Personal Staff	Committee Staff	
1947	590	222	1,449	182	2,443
1957	1,115	371	2,441	348	4,275
1967	1,749	448 ^a	4,055	506 ^a	6,758
1972	2,426	814	5,280	727	9,247
1975	2,600	1,120	6,114	952	10,786
1978 est.	5,000	2,250	7,000	1,750	16,000

^a Figures are for 1968.

SOURCE: Hilsman, Roger, *To Govern America*, New York, NY, Harper and Row, 1979, p. 227, as adapted from Harrison W. Fox, Jr., and Susan Webb Hammond, "The Growth of Congressional Staffs," in Harvey C. Mansfield, Sr., ed., *Congress Against the President*, New York, NY, Praeger, 1975, p. 115. Figures for 1978 projected from Milton S. Gwirtzman, "The Bloated Branch," *New York Times Magazine*, New York, NY, Times Publishing Co., November 10, 1974, and interviews by the author.

Table A-8
NUMBER OF BILLS AND RESOLUTIONS INTRODUCED IN THE U.S. HOUSE OF REPRESENTATIVES AND NUMBER REPORTED BY STANDING COMMITTEE, BY CONGRESS, 1947-74

Congress and Years	Number of Bills and Resolutions Introduced in House	Number of Bills and Resolutions Reported by House Committees	Percent Reported of All Bills and Resolutions Introduced
80th, 1947-48	8,561	2,180	25%
81st, 1949-50	11,695	2,924	25
82nd, 1951-52	10,055	2,297	23
83rd, 1953-54	11,864	2,442	21
84th, 1955-56	14,104	2,698	19
85th, 1957-58	15,660	2,450	16
86th, 1959-60	15,506	1,994	13
87th, 1961-62	15,751	2,302	15
88th, 1963-64	15,299	1,742	11
89th, 1965-66	21,999	2,062	9
90th, 1967-68	24,227	1,745	7
91st, 1969-70	23,575	1,542	7
92nd, 1971-72	20,458	1,401	7
93rd, 1973-74	21,095	1,333	6

SOURCE: Matthews, Donald R. and Stimson, James A., *Yeas and Nays: Normal Decision-Making in the U.S. House of Representatives*, New York, NY, Wiley-Interscience, 1975, p. 6.

Table A-9
**U.S. DISTRICT COURTS—CIVIL
 CASES COMMENCED, 1941-78**

Year	Thousands of Cases	Year	Thousands of Cases
1941	38.5	1960	59.3
1942	38.1	1961	58.3
1943	36.8	1962	61.8
1944	38.5	1963	63.6
1945	61.0	1964	66.9
1946	67.8	1965	67.7
1947	59.0	1966	70.9
1948	46.7	1967	70.9
1949	53.4	1968	71.5
1950	54.6	1969	77.2
1951	51.6	1970	87.3
1952	58.4	1971	N.A.
1953	64.0	1972	96.2
1954	59.5	1973	98.6
1955	59.4	1974	103.5
1956	62.4	1975	117.3
1957	62.4	1976	130.6
1958	67.1	1977	130.6
1959	57.8	1978	138.8

SOURCE: U.S. Bureau of the Census, Department of Commerce, *Historical Statistics of the United States, Colonial Times to 1970*, Washington, DC, U.S. Government Printing Office, 1975, p. 418; and *Statistical*

Abstract of the United States, 1979, Washington, DC, Department of Commerce, U.S. Government Printing Office, 1979, p. 192.

Table A-10
**CASES DOCKETED IN APPELLATE COURTS,
 SELECTED YEARS, 1936-78**

Year	Population (millions)	United States Supreme Court		Circuit Court of Appeals	
		Number of Cases*	Cases per Million Population	Number of Cases	Cases per Million Population
1936	128.1	980	7.65	—	—
1941	133.9	973	7.27	—	—
1945	140.5	—	—	2,730	19.43
1946	141.9	1,315	9.27	—	—
1950	152.3	—	—	2,830	18.58
1951	154.9	1,181	7.62	—	—
1955	165.9	—	—	3,695	22.27
1956	168.9	1,640	9.71	—	—
1960	180.7	—	—	3,899	21.58
1961	183.7	1,940	10.56	—	—
1963	189.2	—	—	5,437	28.74
1964	191.9	2,371	12.36	6,023	31.40
1965	194.3	2,774	14.30	6,766	34.80
1966	196.6	2,752	13.90	7,183	36.50
1967	198.7	3,106	15.60	7,903	39.80
1968	200.7	3,271	16.30	9,116	45.40
1969	202.7	3,405	16.80	10,248	50.60
1970	204.9	4,212	20.60	11,662	56.90
1971	207.1	—	—	12,788	61.70
1972	208.8	4,640	22.20	14,535	69.60
1973	210.4	5,079	24.10	15,629	74.30
1974	211.9	4,668	22.00	16,436	77.60
1975	213.6	4,761	22.30	16,658	78.00
1976	215.2	4,731	22.00	18,408	85.50
1977	217.4	4,704	21.60	19,118	87.90
1978	219.2	4,731	21.60	18,918	86.30

* Figures after 1969 are not comparable.

SOURCE: Hazzard, Geoffrey C., Jr., *The Courts, the Public and the Law Explosion*, The American Assembly, Columbia University, Englewood, NJ, Prentice Hall, 1965, p. 76; U.S. Bureau of the Census, Department of Commerce, *Historical Statistics of the United States, Colonial Times to 1970*, Washington, DC, U.S. Government Printing Office, 1975; and *Statistical Abstract of the United States, 1979*, Department of Commerce, Washington, DC, U.S. Government Printing Office, 1979, p. 191-92.

Table A-11
**NUMBER OF FEDERAL MANDATES
 BY ESTIMATED YEAR OF
 IMPOSITION, BY DIRECT ORDERS
 AND CONDITIONS OF AID, 1941-78**

Years	Direct Orders	Conditions of Aid	Total
1941-45	—	—	—
1946-50	8	—	8
1951-55	—	2	2
1956-60	2	2	4
1961-65	5	24	29
1966-70	43	92	135
1971-75	109	559	668
1976-78	57	354	911

SOURCE: Lovell, Katherine, et. al., *Federal and State Mandating to Local Government: Impact and Issues*, Riverside, CA, University of California, 1979 draft, p. 71.

Table A-12
**PAGES CONTAINED IN THE
 FEDERAL REGISTER AND CODE OF
 FEDERAL REGULATIONS,
 SELECTED YEARS, 1936-75**

Year	Federal Register	Code of Federal Regulations
1936	2,355	—
1946	14,736	—
1956	10,528	—
1966	16,850	—
1970	20,036	54,105
1971	25,447	54,487
1972	28,928	61,035
1973	35,592	64,852
1974	42,422	69,270
1975	60,221	72,200

SOURCE: Fiorina, Morris P., *Congress: Keystone of the Washington Establishment*, New Haven, CT, Yale University Press, 1977, p. 93; and the Public Interest, Number 47, National Affairs, Inc., New York, NY, Spring 1977, p. 50.

Table A-13
**FEDERAL AID TO STATE AND LOCAL GOVERNMENTS,
 SELECTED YEARS, 1902-80**

Year	Federal Aid* to State and Local Governments	GNP	Federal Aid as a Percent of:		
			Total Federal Outlays	Domestic Federal Outlays	State and Local Expenditures
1902	\$.028	0.1%	—	—	—
1913	.039	0.1	—	—	—
1922	.242	0.3	—	—	—
1927	.249	0.3	—	—	—
1932	.593	1.0	—	—	—
1934	2.4	3.7	—	—	—
1936	2.2	2.7	—	—	—
1938	1.8	2.1	—	—	—
1940	2.1	2.1	—	—	—
1942	1.8	1.1	—	—	—
1944	1.9	0.9	—	—	—
1946	1.4	0.7	—	—	—
1948	2.3	0.9	—	—	—
1950	3.0	1.1	5.3%	8.8%	10.4%
1952	3.1	0.9	—	—	—
1953	3.4	0.9	—	—	—
1954	3.4	0.9	—	—	—
1955	3.5	0.9	4.7	12.1	10.1
1956	3.7	0.9	—	—	—
1957	4.1	0.9	—	—	—
1958	5.1	1.1	—	—	—
1959	6.5	1.4	—	—	—
1960	7.0	1.4	7.6	16.4	13.5
1961	7.1	1.4	7.3	15.4	12.6
1962	7.9	1.4	7.4	15.8	13.2
1963	8.6	—	7.8	16.5	13.3
1964	10.1	—	8.6	17.9	14.6
1965	10.9	1.6	9.2	18.4	14.6
1966	13.0	—	9.7	19.2	15.6
1967	15.2	—	9.6	19.5	16.3
1968	18.6	—	10.4	20.9	18.2
1969	20.3	—	11.0	21.3	17.4
1970	24.0	2.4	12.2	21.1	19.4
1971	28.1	2.6	13.3	21.4	19.9
1972	34.4	2.9	14.8	22.8	22.0
1973	41.8	3.2	16.9	24.8	24.3
1974	43.4	3.1	16.1	23.3	22.7
1975	49.8	3.2	15.2	21.3	23.2
1976	59.1	3.5	16.1	21.8	24.7
1977	68.4	3.6	17.0	22.8	26.4
1978	77.9	3.7	17.3	22.9	26.7
1979	82.1	3.5	16.6	22.1	25.4
1980	82.9	—	15.6	20.9	23.6

* Billions of 1961 dollars through 1959, current dollars after that point.

SOURCE: Wright, Deil, "The Administrative Dimensions of Intergovernmental Relations," Draft for: *Contemporary Public Administration*, Vocino, Thomas and Rabin, Jack, eds., Harcourt, Brace Jovanovich, Inc., New York, NY, July 1979; and Mosher, Frederick C. and Poland, Orville F., *The Costs of American Governments: Facts, Trends, Myths*, New York, NY, Dodd, Mead and Company, 1964, p. 162; and ACIR staff computations.

Table A-14
**RISE IN THE NUMBER OF
 GRANTS-IN-AID, SELECTED YEARS,
 1902-74**

Year	Number
1902	5
1912	7
1920	11
1925	12
1932	12
1937	26
1946	28
1952	38
1964	51
1967	379
1971	530
1974	550

SOURCE: Jacob, Herbert and Vines, Kenneth N., eds., *Politics In the American States, a Comparative Analysis*, 3rd Edition, Boston, MA, Little, Brown and Company, 1976, p.21.

Table A-15
**FEDERAL AID TO STATE AGENCIES,
 SELECTED YEARS, 1964-78**

Year	Percent of State Agencies Receiving Federal Aid	Percent of State Agencies Receiving Half or More of Their Budget from Federal Aid
	1964	34%
1968	53	14
1974	62	20
1978	74	26

SOURCE: Wright, Deil, "The Administrative Dimensions of Intergovernmental Relations," Draft for *Contemporary Public Administration*, Vocino, Thomas and Robin, Jack for Harcourt, Brace, Jovanovich, Inc., New York, NY, July 1979.

Table A-16
**CHANGING COMPOSITION
 OF THE FEDERAL BUDGET, 1968-75**
 (in billions of constant 1972 dollars)

Year	Total Federal Outlays	Transfer Payments	Percentage of Total Federal Outlays
	1968	\$216.6	\$ 51.7
1969	212.8	55.9	26.3
1970	215.2	60.0	27.9
1971	220.2	70.2	31.9
1972	231.9	75.7	32.6
1973	233.0	81.9	35.2
1974	230.6	87.0	37.7
1975 est.	255.1	100.8	39.5

SOURCE: Shariff, Zahid, "How Big is Big Government?" *Social Policy*, Social Policy Corp., New York, NY, March/April 1978, p.26.

Table A-17
FEDERAL PARTICIPATION IN DOMESTIC CREDIT MARKETS, 1969-80
 (in billions of dollars)

	1969	1970	1971	1972	1973	Actual		1975	1976	TQ	1977	1978	Estimates	
						1974	1975						1979	1980
Total Funds Advanced in U.S. Credit Markets¹ (Includes equities)	\$96.9	\$93.6	\$124.9	\$162.8	\$206.9	\$193.0	\$179.7	\$248.0	\$67.9	\$319.5	\$366.9		²	²
Advanced under Federal Auspices	15.0	17.4	16.5	22.8	26.7	26.9	26.9	26.6	6.6	36.6	59.0	\$53.2	\$58.4	
Direct Loans:														
On-Budget	2.9	4.5	3.0	2.7	0.3	2.2	4.3	4.2	1.1	2.6	8.6	5.0	2.8	
Off-Budget	—	—	—	0.2	0.7	2.2	8.5	6.7	2.6	9.0	11.2	12.0	11.8	
Guaranteed Loans	7.8	2.3	12.2	15.6	14.0	6.2	5.7	10.3	+0.1	14.1	11.3	20.8	25.5	
Government-Sponsored Enterprise Loans	4.3	10.6	1.3	4.3	11.6	16.3	8.5	5.4	2.9	11.0	27.9	15.5	18.4	
Federal Participation Rate Including Government-Sponsored Enterprises (percent)	<u>15.5</u>	<u>18.6</u>	<u>13.3</u>	<u>14.0</u>	<u>12.9</u>	<u>14.0</u>	<u>15.0</u>	<u>10.8</u>	<u>9.8</u>	<u>11.5</u>	<u>16.1</u>	—	—	
	96.9	93.6	124.9	162.8	206.9	193.0	179.7	248.0	67.9	319.5	366.9	—	—	
Total Funds Raised in U.S. Credit Markets¹	11.3	16.4	32.2	39.7	46.5	24.0	64.8	97.5	19.1	79.0	94.5	73.4	80.9	
Raised under Federal Auspices	-1.0	3.8	19.4	19.4	19.3	3.0	50.9	82.9	18.0	53.5	59.1	40.0	39.0	
Federal Borrowing from Public	7.8	2.3	12.2	15.6	14.0	6.2	5.7	10.3	+0.1	14.1	11.3	20.8	25.5	
Guaranteed Borrowing	4.5	10.3	0.6	4.7	13.2	14.8	8.2	4.3	1.7	11.4	24.1	12.6	16.4	
Government-Sponsored Enterprise Borrowing	—	—	—	—	—	—	—	—	—	—	—	—	—	
Federal Participation rate (percent)	11.7%	17.6%	25.8%	24.4%	22.5%	12.5%	36.1%	39.4%	28.2%	24.8%	25.8%	—	—	

¹Nonfinancial sectors. SOURCE: Federal Reserve Flow of Funds Accounts. Estimates from Table E-10.

²Not Estimated.

SOURCE: *Special Analysis of the Budget of the United States Government, Fiscal Year 1980*, Special Analysis F, Washington DC, U.S. Government Printing Office, p.135.

Table A-18
TAX AND DIRECT SPENDING TOTALS, FISCAL YEARS 1968, 1975-84
 (in billions of dollars)

Year	1968	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Tax											
Expenditures	\$ 44.0	\$ 92.9	\$97.4	\$113.5	\$123.8	\$150.1	\$168.8	\$191.2	\$214.9	\$240.6	\$269.0
Direct Outlays	178.8	326.1	366.4	402.7	450.8	493.4	544.1	597.3	649.3	696.7	744.7
Total	222.8	419.0	463.8	516.2	574.6	643.5	712.9	788.5	864.2	937.3	1,013.7

SOURCE: Congressional Budget Office Supplemental Reports on Tax Expenditures, Washington, DC, U.S. Government Printing Office.

Table A-19
FEDERAL CIVIL EMPLOYEES, EXECUTIVE BRANCH, SELECTED YEARS,
 1930-79
 (thousands of persons)

Year	Defense	Post Office	Veterans Administration*	All Other	Total
1930	103	298	—	188	589
1935	147	275	—	344	766
1940	256	323	—	444	1,023
1945	2,635	416	—	736	3,787
1950	753	485	—	696	1,934
1955	1,187	512	—	672	2,371
1960	1,047	563	172	589	2,371
1965	1,034	596	167	699	2,496
1970	1,194	726	169	795	2,884
1975	1,042	699	213	994	2,848
1976	1,010	676	222	925	2,833
1977	982	658	223	926	2,789
1978	980	656	229	955	2,820
1979	972	656	226	943	2,807

*Veterans Administration figures calculated with "All other" prior to 1960.

SOURCE: U.S. Bureau of the Census, Department of Commerce, *Historical Statistics of the United States, Colonial Times to 1970*, Washington, DC, U.S. Government Printing Office, 1975, Part 2, p. 1102, and *Statistical Abstract of the United States, 1979*, Washington, DC, Department of Commerce, U.S. Government Printing Office, 1979, pp. 277-78.

Table A-20
**POPULATION AND
GROSS NATIONAL PRODUCT
OF THE UNITED STATES,
SELECTED YEARS, 1910-79**

Year	Population (millions)	Gross National Product (billions of dollars)		Year	Population (millions)	Gross National Product (billions of dollars)	
		Current Dollars	Constant 1972 Dollars			Current Dollars	Constant 1972 Dollars
1910	91.97	—	—	1970	204.88	982.0	1,075
1920	105.71	—	—	1971	207.05	1,065.0	—
1929	121.77	\$ 103.1	—	1972	208.85	1,171.0	1,171
1933	125.58	55.6	—	1973	210.41	1,307.0	1,235
1940	132.12	99.7	—	1974	211.90	1,413.0	1,218
1945	139.93	211.9	—	1975	213.56	1,528.0	1,202
1950	152.27	286.0	\$ 534	1976	215.15	1,700.0	1,271
1955	165.93	399.0	655	1977	216.88	1,900.0	1,340
1960	180.67	506.0	737	1978	218.72	2,128.0	1,399
1965	194.30	688.0	926	1979	220.58	2,369.0	1,432

SOURCE: U.S. Bureau of the Census, Department of Commerce, *Historical Statistics of the United States, Colonial Times to 1970*, Washington, DC, U.S. Government Printing Office, 1975; *Statistical Abstract of the United States*, 1979, Washington, DC, Department of

Commerce, U.S. Government Printing Office, 1979, *Economic Report of the President, 1981*, Washington, DC, U.S. Government Printing Office, 1980; and *Survey of Current Business*, Vol. 58, No. 7, Washington, DC, Bureau of Economic Analysis, July 1978.

Table A-21
**TOTAL GOVERNMENT OUTLAYS AS A PERCENTAGE
OF GROSS DOMESTIC PRODUCT, SELECTED YEARS, 1965-73**

	1965	1969	1970	1971	1973
United States	25.9%	28.9%	30.0%	30.1%	29.6%
United Kingdom	30.8	33.2	33.5	33.4	35.1*
West Germany	30.6	32.1	31.6	32.8	34.9
France	32.9	33.7	33.2	33.4	33.6*
Italy	30.9	32.1	31.3	35.4	37.6
Canada	25.0	29.8	32.2	33.2	33.4
Norway	31.8	34.8	36.7	38.9	41.0
Belgium	29.8	32.7	32.8	34.0	35.5*
Denmark	25.7	31.1	34.6	36.9	36.4
Japan	14.6	13.9	14.2	14.8	15.7*

*Data for 1972, latest available.

SOURCE: OECD, National Accounts Statistics, 1960-71 and 1962-73, national tables, as cited in Joseph Scherer, "How Big Is Government?", *Challenge*, M.E. Sharpe, Inc., White Plains, NY, September-October, 1975, p. 61.

Table A-22
FEDERAL DOMESTIC EXPENDITURE, SELECTED YEARS, 1954-78
(Social Security and federal aid emerge as the fastest growing components
in our steadily expanding federal domestic sector¹⁾)

Calendar Year	Federal Domestic Expenditure			Federal Domestic Expenditure		
	Social Security (OASDHI)	Federal Aid ²	All Other ³	Social Security (OASDHI)	Federal Aid ²	All Other ³
	Amount (in billions)			As a Percent of GNP		
1954	\$ 3.7	\$ 2.9	\$ 16.1	1.0%	0.8%	4.4%
1964	16.3	10.4	27.5	2.6	1.6	4.3
1969	33.8	20.3	38.8	3.6	2.2	4.1
1970	39.4	24.4	46.3	4.0	2.5	4.7
1971	45.5	29.0	54.7	4.3	2.7	5.1
1972	50.9	37.5	60.8	4.3	3.2	5.2
1973	61.7	40.6	64.7	4.7	3.1	5.0
1974	71.9	43.9	78.2	5.1	3.1	5.6
1975	83.3	54.6	104.4	5.4	3.6	6.8
1976	94.9	61.1	109.1	5.6	3.6	6.4
1977	107.1	67.4	118.3	5.7	3.6	6.3
1978 est.	120.0	77.0	122.5	5.7	3.6	5.8
	Percentage Distribution			Annual Percent Change		
1954	16.3%	12.8%	70.9%	—	—	—
1964	30.1	19.2	50.7	16.0 ⁴ %	13.6 ⁴ %	5.5 ⁴ %
1969	36.4	21.9	41.8	15.7 ⁵	14.3 ⁵	7.1 ⁵
1970	35.8	22.2	42.1	16.6	20.2	19.3
1971	35.2	22.4	42.3	15.5	18.9	18.1
1972	34.1	25.1	40.8	11.9	29.3	11.2
1973	36.9	24.3	38.7	21.2	8.3	6.4
1974	37.1	22.6	40.3	16.5	8.1	20.9
1975	34.4	22.5	43.1	15.9	24.4	33.5
1976	35.8	23.0	41.2	13.9	11.9	4.5
1977	36.6	23.0	40.4	12.9	10.3	8.4
1978 est.	37.6	24.1	38.3	12.0	14.2	3.6

¹ National Income and Product Accounts.

² Federal aid under this series "National Income Account," differs slightly from the federal payments (Census) series used in a subsequent table showing federal aid by major purpose. The major difference is the inclusion of federal payments for low-rent public housing (est. at \$1.6 billion in 1976) in the Census series but excluded by definition from this series. Includes federal General Revenue Sharing.

³ Includes direct federal expenditure for education; public assistance and relief, veteran benefits and services, commerce, transportation, and housing, etc.

⁴ Annual average increase 1954 to 1964.

⁵ Annual average increase 1964 to 1969.

SOURCE: ACIR staff compilation based on U.S. Department of Commerce, Bureau of Economic Analysis, *Benchmark Revision of National Income and Product Accounts: Advance Tables*, Washington, DC, U.S. Government Printing Office, March 1976; *Survey of Current Business*, Washington, DC, Bureau of Economic Analysis, annually; *Budget of the United States Government*, Washington, DC, U.S. Government Printing Office, various years; and ACIR staff estimates.

Table A-23
**FEDERAL DOMESTIC EXPENDITURE,
 SELECTED YEARS, 1929-80**
 (in billions of dollars)

Year	Federal Aid ¹	
	Current Dollars	Constant 1967 Dollars ²
1929	\$ 0.1	0.2
1934	1.0	2.4
1949	2.2	3.1
1954	2.9	3.6
1959	6.8	7.8
1964	10.4	11.2
1969	20.3	18.5
1970	24.4	21.0
1971	29.0	23.9
1972	37.5	29.9
1973	40.6	30.5
1974	43.9	29.7
1975	54.6	33.9
1976	61.6	35.8
1977	67.5	37.2
1978	77.3	39.6
1979	80.1	36.8
1980	86.0	35.4

¹ Federal aid under this series "National Income Account," differs slightly from the federal payments (Census) series used in a subsequent table showing federal aid by major purpose. The major difference is the inclusion of federal payments for low-rent public housing (est. at \$1.6 billion in 1976) in the Census series but excluded by definition from this series. Includes federal General Revenue Sharing.

² Based on the Consumer Price Index.

SOURCE: Advisory Commission on Intergovernmental Relations, *Significant Features of Fiscal Federalism 1978-79 Edition*, M-115, Washington, DC, U.S. Government Printing Office, May 1979, p. 10, as updated by staff.

Table A-24
**THE GROWING STATE AND LOCAL DEPENDENCY ON OUTSIDE AID,
 SELECTED YEARS, 1948-78**
 (in millions of dollars)

Fiscal Year	Federal Aid to States		State and Federal Aid to Local Governments	
	Amount	As a Percent of State General Revenue from Own Source	Amount	As a Percent of Local General Revenue from Own Source
1948	\$ 1,643	21.9%	\$ 3,501	44.5%
1954	2,668	21.5	5,933	43.5
1959	5,888	32.4	8,739	42.2
1964	9,046	32.1	13,829	45.7
1969	16,907	34.1	26,082	56.9
1970	19,252	33.5	29,525	57.5
1971	22,754	37.1	34,473	60.0
1972	26,791	37.9	39,694	60.6
1973	31,361	39.0	47,866 ¹	67.9
1974	31,632 ¹	35.5	54,752 ¹	71.3
1975	36,148 ¹	37.3	61,975 ¹	73.5
1976	42,013 ¹	39.1	69,746 ¹	74.8
1977	45,938 ¹	37.9	76,948 ¹	75.4
1978 est.	53,000 ¹	38.8	85,500 ^{1, 2}	76.8

¹ Includes the following federal General Revenue Sharing payments (in billions): 1973—state \$2.2, local \$4.4; 1974—state \$2.0, local \$4.1; 1975—state \$2.0, local \$4.1; 1976—state \$2.1, local \$4.1; 1977—state \$2.3, local \$4.4; 1978—state \$2.3, local \$4.5

² The \$85.5 billion of intergovernmental aid received by local governments in 1978 can be broken down as follows: \$20.5 billion direct federal aid, approximately \$15 billion indirect federal aid (passed through the state—estimated on basis of 1967 data, latest available), and \$50.0 billion direct state aid.

SOURCE: ACIR staff compilation based on U.S. Bureau of the Census, *Governmental Finances*, Washington, DC, U.S. Government Printing Office, various years; and ACIR staff estimates.

Table A-25
**STATE AID OUTLAY IN RELATION TO
 LOCAL OWN SOURCE REVENUE,
 SELECTED YEARS, 1954-78**

Year	Amount	Total State Aid As Percent of Local General Revenue from Own Sources
1954	\$ 5,679	41.7%
1964	12,968	42.9
1969	24,779	54.0
1970	28,892	56.2
1971	32,640	57.3
1972	36,759	57.0
1973	40,822	57.9
1974	45,600	59.4
1975	51,004	60.5
1976	56,678	60.8
1977	61,084	59.9
1978	65,815	59.4

SOURCE: ACIR staff compilation based on U.S. Bureau of Census, *Governmental Finances*, Washington, DC, U.S. Government Printing Office, various years; and ACIR staff estimates.

Table A-26

GROSS FEDERAL PUBLIC DEBT AND INTEREST ON THE PUBLIC DEBT AS A PERCENT OF GNP, 1942-80

Fiscal Year	GNP (billions)	Gross Federal Public Debt as a Percent of GNP	Interest on The Public Debt as a Percent of GNP	Fiscal Year	GNP (billions)	Gross Federal Public Debt as a Percent of GNP	Interest on The Public Debt as a Percent of GNP
1942	\$141.6	51.1%	0.89%	1962	\$546.9	54.0%	1.67%
1943	175.1	78.1	1.03	1963	576.3	52.5	1.72
1944	201.2	99.1	1.24	1964	616.2	50.0	1.73
1945	211.4	122.4	1.71	1965	657.1	47.8	1.73
1946	211.0	127.7	2.24	1966	721.1	43.8	1.67
1947	222.4	115.4	2.23	1967	774.4	41.7	1.73
1948	245.9	102.1	2.12	1968	829.9	41.6	1.76
1949	261.6	96.2	2.04	1969	903.7	39.1	1.84
1950	264.8	96.7	2.17	1970	959.0	38.6	2.01
1951	312.0	81.4	1.80	1971	1,019.2	39.0	2.06
1952	338.8	76.1	1.73	1972	1,110.5	38.4	1.97
1953	360.1	73.5	1.81	1973	1,237.5	37.0	1.95
1954	363.6	74.2	1.76	1974	1,359.2	34.9	2.16
1955	380.0	71.8	1.68	1975	1,457.3	36.6	2.24
1956	411.0	65.9	1.65	1976	1,621.0	38.3	2.29
1957	432.7	62.3	1.67	1977	1,843.3	37.9	2.27
1958	442.1	62.4	1.72	1978	2,060.4	37.4	2.36
1959	473.3	59.7	1.60	1979	2,313.4	35.7	2.59
1960	497.3	57.1	1.85	1980 est.	2,518.0	35.2	2.91
1961	508.3	56.3	1.76				

SOURCE: Department of the Treasury, *Annual Report of the Secretary, 1978, Statistical Appendix*, and *The Treasury Bulletin, February 1980*, Washington, DC, U.S. Government Printing Office; Executive Office of the President, Office of Management, and Budget, *the United States Budget in Brief, 1981*, Washington, DC, U.S. Government Printing Office; and U.S. Department of Commerce, Bureau of Economic Analysis, *The National Income and Product Accounts of the United States, 1929-74, Statistical Tables*, Washington, DC, U.S. Government Printing Office.

Table A-27

INTEREST PAYMENTS ON GOVERNMENT DEBT, SELECTED YEARS, 1929-78
 (government interest payments are increasing at a faster rate
 than government revenue)

Fiscal Year	Federal ¹	State ²	Local ²	Federal	State	Local
	Amount (in millions)			As a Percent of GNP		
1929	\$ 678	\$ 95	\$ 550	0.7%	0.1%	0.5%
1939	941	129	534	1.1	0.1	0.6
1949	5,339	97	330	2.0	*	0.1
1954	6,382	193	525	1.8	0.1	0.1
1959	7,593	453	963	1.6	0.1	0.2
1964	10,666	765	1,590	1.7	0.1	0.3
1969	16,588	1,275	2,457	1.8	0.1	0.3
1970	19,304	1,499	2,875	2.0	0.2	0.3
1971	20,959	1,761	3,328	2.1	0.2	0.3
1972	21,849	2,135	3,894	2.0	0.2	0.4
1973	24,167	2,434	4,351	2.0	0.2	0.4
1974	29,319	2,863	4,803	2.2	0.2	0.4
1975	32,665	3,272	5,511	2.2	0.2	0.4
1976	37,063	4,140	6,129	2.3	0.3	0.4
1977	41,900	5,136	6,257	2.3	0.3	0.3
1978	48,695	5,268	6,714	2.4	0.3	0.3

Fiscal Year	Percent Distribution			As a Percent of General Revenue ³		
	Federal	State	Local	Federal	State	Local
1929	51.2%	7.2%	41.6%	19.2%	\$4.8%	10.9%
1939	58.7	8.0	33.3	20.9	3.6	10.7
1949	92.6	1.7	5.7	13.2	1.6	3.7
1954	90.0	2.7	7.4	9.1	1.6	3.9
1959	84.3	5.0	10.7	10.0	2.5	4.6
1964	81.9	5.9	12.2	10.4	2.7	5.3
1969	81.6	6.3	12.1	10.2	2.6	5.4
1970	81.5	6.3	12.1	11.8	2.6	5.6
1971	80.5	6.8	12.8	13.2	2.9	5.8
1972	78.4	7.7	14.0	12.5	3.0	5.9
1973	78.1	7.9	14.1	12.4	3.0	6.2
1974	79.3	7.7	13.0	13.5	3.2	6.3
1975	78.8	7.9	13.3	14.7	3.4	6.5
1976	78.3	8.7	12.9	15.6	3.9	6.6
1977	78.6	9.6	11.7	14.8	4.2	6.1
1978	80.3	8.7	11.1	15.3	3.9	6.1

* Less than .05 percent.

¹Interest on the Public debt. Data for 1929-49 are administrative budget figures; for 1954-76, unified budget figures.

²Interest on general debt.

³General revenue from own sources (before intergovernmental transfers).

SOURCE: ACIR staff compilation based on U.S. Bureau of the Census, *Governmental Finances*, Washington, DC, U.S. Government Printing Office, various Years; Office of Management and Budget, *Special Analysis, Budget of the United States Government*, Washington, DC, U.S. Government Printing Office, 1980; U.S. Treasury Department, *Treasury Bulletin*, Washington, DC, U.S. Government Printing Office, various issues; and ACIR staff estimates.

Table A-28
**GOVERNMENT EMPLOYMENT,
 SELECTED YEARS, 1870-1977**

Year	Total Government Labor Force (thousands)	Population (thousands)	Government Labor Force as a Percent of Population
1870	265	39,818	0.7%
1900	1,401	75,994	1.8
1920	2,920	105,710	2.8
1940	4,902	132,122	3.7
1949	7,559	149,188	5.1
1952	10,697	157,553	6.8
1957	10,847	171,274	6.3
1962	12,216	186,538	6.5
1967	15,313	198,712	7.7
1972	16,208	208,842	7.7
1977	17,538	217,422	8.1

SOURCE: Freeman, Roger A., *The Growth of American Government*, Stanford, CA, Hoover Institution Press, Stanford University, 1975, p.203, and Appendix Table A-41; and *Special Analysis of the Budget of the United States Government, Fiscal Year 1981*, Washington, DC, U.S. Government Printing Office, 1980, p.288.

Table A-29
**PUBLIC EMPLOYMENT AS
 A PERCENT OF
 LABOR FORCE,
 SELECTED YEARS,
 1929-62**

Year	Total Public Em- ployment	Total Federal Government Employment	Total State and Local Government Employment
1929	6.7%	1.1%	5.1%
1939	7.8	1.6	5.6
1945	26.6	4.3	4.8
1950	11.9	3.0	6.3
1959	14.9	3.1	8.3
1962	16.1	3.1	9.2

SOURCE: Mosher, Frederick C. and Poland, Orville F., *The Costs of American Governments: Facts, Trends, Myths*, New York, NY, Dodd, Mead and Company, 1964, p.170-71.

Table A-30
**GOVERNMENT EMPLOYMENT AND POPULATION,
1952-72**

Year	Governmental Employment				Governmental Employment per 1,000 Population		
	Federal		State and Local	Popu- lation	Federal	State and Local	
	Total (1000's)	Civilian (1000's)	(1000's)	(1000's)	Total	Civilian	Local
1952	—	—	—	157,553	39.2	16.4	28.7
1953	5,940	2,385	4,126	160,184	37.0	14.9	29.1
1954	—	—	—	163,026	35.1	14.6	29.8
1955	—	—	—	165,931	32.7	14.3	30.5
1956	—	—	—	168,903	31.2	14.3	31.2
1957	5,237	2,439	4,793	171,984	30.5	14.2	32.6
1958	—	—	—	174,882	28.8	13.7	33.7
1959	—	—	—	177,830	27.9	13.5	34.2
1960	—	—	—	180,671	27.3	13.4	35.4
1961	—	—	—	183,691	27.5	13.5	36.0
1962	5,347	2,539	5,958	186,538	28.5	13.5	36.3
1963	—	—	—	189,242	27.9	13.5	38.0
1964	—	—	—	191,889	27.4	13.2	39.3
1965	—	—	—	194,303	27.3	13.3	41.2
1966	—	—	—	196,560	30.4	14.6	43.4
1967	6,370	2,993	7,455	198,712	32.3	15.0	44.7
1968	—	—	—	200,706	32.5	14.9	46.6
1969	—	—	—	202,677	32.0	14.7	47.9
1970	—	—	—	204,878	29.6	14.1	49.5
1971	—	—	—	207,053	27.5	13.9	50.4
1972	5,117	2,795	9,237	208,846	25.1	13.4	58.7

SOURCE: Freeman, Roger A., *The Growth of American Government*, Stanford, CA, Hoover Institution Press, Stanford University, 1975, p. 209; *Special Analysis of the Budget of the United States Government, Fiscal Year 1981*, Washington, DC, U.S. Government Printing Office, 1980, p.285; and ACIR staff estimates.

Table A-31
**INDICATORS OF THE SIZE OF
 FEDERAL GOVERNMENT, 1947-77**

Year	Total Federal Employees	Federal Outlays (billions) ^a	Total Federal employees per \$1 million of Outlays ^a
	1947	3,683	\$ 69.5
1948	3,510	56.0	62.7
1949	3,713	73.9	50.2
1950	3,417	79.4	43.0
1951	5,735	79.5	72.1
1952	6,245	116.7	53.5
1953	6,123	129.3	47.4
1954	5,712	118.8	48.1
1955	5,334	112.3	47.5
1956	5,206	112.0	46.4
1957	5,216	118.0	44.2
1958	4,981	125.0	39.8
1959	4,884	136.4	35.8
1960	4,872	134.3	36.3
1961	4,922	141.2	34.9
1962	5,237	151.4	34.6
1963	5,218	155.2	33.6
1964	5,090	163.1	31.2
1965	5,183	159.4	32.5
1966	5,793	175.4	33.0
1967	6,290	200.3	31.4
1968	6,577	216.6	30.4
1969	6,479	212.8	30.4
1970	5,987	215.2	27.8
1971	5,575	220.2	25.3
1972	5,130	231.9	22.1
1973	5,058	233.0	21.7
1974	4,992	230.6	21.6
1975	5,012	255.1	21.7
1976 est.	4,975	277.5	17.9
1977 est.	4,936	275.3	17.9

^aComputed by author.

^bInclude civilian employees, active military personnel, and the Coast Guard.

SOURCE: Shariff, Zahid, "How Big is Big Government?" *Social Policy*, Social Policy Corp., New York, NY, March/April, 1978, p. 23.

Table A-32
**NUMBER AND PERCENT OF
 "MAJOR" PROPOSALS
 REPORTED BY COMMITTEES OF U.S.
 HOUSE, BY CONGRESS, 1957-72**

Congress and Years	Number of "Major" Proposals According to C.Q. Almanac	Number of "Major" Proposals Reported by Committees	Percent of "Major" Proposals Reported
85th, 1957-58	26	23	89%
86th, 1959-60	26	20	77
87th, 1961-62	25	22	88
88th, 1963-64	25	18	72
89th, 1965-66	25	19	76
90th, 1967-68	21	19	91
91st, 1969-70	26	22	85
92nd, 1971-72	25	19	76
93rd, 1973-74	17	15	88
Total	216	177	82

SOURCE: Matthews, Donald R. and Stimson, James A., *Yeas and Nays: Normal Decision-Making in the U.S. House of Representatives*, New York, NY, Wiley-Interscience, 1975, p. 8.

Table A-33
**STATE AND FEDERAL LEGISLATIVE
 ENACTMENTS, SELECTED YEARS,
 1950-76**

Year	Congressional Enactments	State Legislative Enactments
1950	—	26,719
1952	—	25,061
1954	—	30,054
1956	—	27,714
1958	—	33,927
1960	—	32,826
1962	1,569	36,924
1964	1,026	35,520
1966	1,283	38,716
1968	1,002	41,001
1970	941	46,871
1972	768	50,495
1974	722	54,800
1976	729	—

SOURCE: *State and Local Government Review*, Institute of Government, University of Georgia, Athens, GA, May 1979, p. 75; and U.S. Bureau of the Census, Department of Commerce, *Statistical Abstract of the United States, 1979*, Washington, DC, U.S. Government Printing Office, 1979, p. 502.

Table A-34
**THE GROWING DOMESTIC PUBLIC
 SECTOR—THE
 RELATIVE DECLINE IN DEFENSE
 EXPENDITURE,¹ SELECTED YEARS,
 1954-79**
 (as a percent of GNP)

Year	Domestic			Year	Domestic		
	Total Public Sector	(federal, state and local)	Defense ²		Total Public Sector	(federal, state and local)	Defense ²
1954	26.5%	13.6%	12.9%	1974	32.4	24.9	7.5
1964	27.7	17.7	10.1	1975	34.9	27.4	7.5
1969	30.5	20.3	10.2	1976	33.5	26.5	7.1
1970	31.7	22.2	9.6	1977	32.9	26.1	6.9
1971	32.0	23.4	8.6				
1972	31.7	23.5	8.2	1978 est.	32.5	25.9	6.7
1973	31.0	23.5	7.5	1979 est.	32.6	26.0	6.6

¹National Income and Product Accounts.

²National defense, international affairs and finance, and space research and technology. Also includes the estimated portion of net interest attributed to these functions.

SOURCE: ACIR staff computations based on U.S. Department of Commerce, Bureau of Economic Analysis, *The National Income and Product Accounts of the*

United States, 1929-74, and Advance Tables, March, 1976, *Statistical Tables and Survey of Current Business*, Washington, DC, U.S. Government Printing Office, various years; U.S. Bureau of the Census, Department of Commerce, *Governmental Finances*, Washington, DC, U.S. Government Printing Office, annually; *Budget of the United States Government*, Washington, DC, U.S. Government Printing Office, various years; *Economic Report of The President*, Washington, DC, U.S. Government Printing Office, January 1979; and ACIR staff estimates.

Table A-35
**PERCENTAGE DISTRIBUTION OF FEDERAL GRANT-IN-AID
 OUTLAYS, BY FUNCTION, SELECTED YEARS, 1958-78**

Function	Actual				
	1958	1963	1968	1973	1978
Natural Resources and Environment	1	2	2	3	5
Agriculture	5	5	3	1	1
Transportation	32	36	23	13	11
Community and Regional Development	1	3	7	8	9
Education, Training, Employment, and Social Services	7	8	25	21	26
Health	4	5	15	14	16
Income Security	46	38	23	21	18
General Purpose Fiscal Assistance	2	2	2	17	12
Other	1	1	1	2	1
Total	100	100	100	100	100

SOURCE: *Special Analysis, Budget of the United States Government*, Washington, DC, U.S. Government Printing Office, Fiscal Year 1980, p. 223.

Table A-36
**PUBLIC AND PRIVATE SECTORS FINANCE RELATIVELY CONSTANT
 SHARES OF SCHOOL EXPENDITURES, SELECTED YEARS, 1950-79**

Fiscal Year	Total (public and private)	Public			Private
		Total	Federal	State-Local	
Amount (in billions)					
1950	\$ 10.9	\$ 9.4	\$ 2.9 ¹	\$ 6.5	\$ 1.5
1955	14.2	11.9	1.2	10.7	2.3
1960	21.7	18.0	1.3	16.7	3.7
1965	34.2	28.1	2.5	25.6	6.1
1970	62.4	51.9	6.9	45.0	10.4
1975	100.8	85.3	13.1 ¹	72.2	15.5
1979	135.2	113.7	16.2	97.5	21.5
As a percent of GNP					
1950	4.1%	3.5%	1.1%	2.5%	0.6%
1955	3.7	3.1	0.3	2.8	0.6
1960	4.4	3.6	0.3	3.4	0.7
1965	5.2	4.3	0.4	3.9	0.9
1970	6.5	5.4	0.7	4.7	1.1
1975	6.9	5.9	0.9	5.0	1.1
1979	5.8	4.9	0.7	4.2	0.9

¹ The larger Federal expenditures in 1950 and in recent years can be attributed in part to veterans' educational programs.

SOURCE: ACIR staff compilation based on Skolnick, Alfred M., and Dales, Sophie R., *Social Welfare Expenditures, 1950-75, Social Security Bulletin*, Washington, DC, U.S. Department of Health, Education and Welfare, U.S. Government Printing Office, January 1976; U.S. Department of Commerce, Bureau of Economic Analysis, *Benchmark Revision of National Income and Product Accounts: Advance Tables*, Washington, DC, U.S. Government Printing Office, March 1976; and U.S. Bureau of the Census, Department of Commerce, *Statistical Abstract of the United States, 1979*, Washington, DC, U.S. Government Printing Office, 1979.

Table A-37
FEDERAL GRANT OUTLAYS AS RELATED TO STATE-LOCAL EXPENDITURES,¹
SELECTED YEARS, 1953-77

Purpose	Fiscal Years							
	1953	1969		1974		1977		
	Federal Grants as Percent of State-Local Expenditures	Federal Grants	Total State-Local Expenditures	Federal Grants as Percent of State-Local Expenditures	Federal Grants	Total State-Local Expenditures	Federal Grants as Percent of State-Local Expenditures	Federal Grants as Percent of State-Local Expenditures
Education	5%	\$ 4.8	\$ 47.3	10%	\$ 7.5	\$ 75.9	10%	10%
Highways	10	4.4	15.5	28	4.6	20.0	23	27
Public Welfare	46	6.4	12.3	52	12.8	25.0	52	56
Health and Hospitals	5	0.7	8.6	8	1.1	16.1	7	10
Natural Resources	8	0.3	2.6	12	0.8	3.7	20	19
Housing and Urban Renewal	4	0.9	1.9	48	2.4	3.5	69	85
Air Transportation		0.1	0.7	16	0.3	1.3	19	29
Social Insurance Administration		0.6	0.7	92	0.8	1.3	63	90
Other		1.3	24.0	6	12.6	45.1	28	33
Interest		0.0	3.7	0	0.0	7.7	0	0
Total	10%	\$19.4	\$117.3	17%	\$42.9	\$198.6	22%	27%

¹ Billions of Dollars. State-local expenditures are from own sources.

SOURCES: U.S. Bureau of the Census, Department of Commerce, *Governmental Finances Annually*, Washington, DC, U.S. Government Printing Office, various years, and ACIR staff estimates.

Table A-38

**THE RECENT DRAMATIC INCREASE IN THE FEDERAL SHARE OF HEALTH
AND MEDICAL CARE EXPENDITURES,
SELECTED YEARS, 1950-78**
(public and private expenditures for health and medical care)*

Fiscal Year	Total (Public-Private)	Public			
		Total	Federal	State-Local	Private
Amount (In billions)					
1950	\$12.0	\$3.1	\$1.4	\$1.7	\$8.9
1955	17.3	4.4	1.9	2.5	12.9
1960	25.9	6.4	2.9	3.5	19.5
1965	38.9	9.5	4.6	4.9	29.4
1970	69.2	25.2	16.6	8.6	44.0
1975	118.5	51.2	34.1	17.1	68.6
1976		58.9	40.6	18.4	
1977		67.3	46.1	21.2	
1978		76.2	32.5	23.7	
As a Percent of GNP					
1950	4.50%	1.20%	0.50%	0.60%	3.40%
1955	4.50	1.20	0.50	0.70	3.40
1960	5.20	1.30	0.60	0.70	3.90
1965	5.90	1.40	0.70	0.70	4.50
1970	7.20	2.60	1.70	0.90	4.60
1975	8.20	3.40	2.20	1.10	4.80
1976		3.50	2.40	1.08	
1977		3.60	2.50	1.12	
1978		3.60	2.50	1.12	

* Studies on private sector discontinued after 1975.

SOURCE: ACIR staff compilation based on Skolnick, Alfred M., and Dales, Sophie R., *Social Welfare Expenditures, 1950-75*, *Social Security Bulletin*, Washington, DC, U.S. Department of Health, Education and Welfare, U.S. Government Printing Office, January 1976; U.S. Department of Commerce, Bureau of Economic Analysis, *Benchmark Revision of National Income and Product Accounts: Advance Tables, March 1976*, Washington, DC, U.S. Government Printing Office, Bureau of the Census, Department of Commerce, *Statistical Abstract of the United States, 1979*, Washington, DC, U.S. Government Printing Office, 1979, p. 439; and Social Security Administration, Office of Research and Statistics, *Research and Statistics Note*, Washington, DC, U.S. Government Printing Office, Note no. 2, February 14, 1980.

Table A-39
**THE INCREASING FEDERAL SHARE OF SOCIAL WELFARE EXPENDITURES,
 SELECTED YEARS, 1950-78**
 (public and private expenditures for social welfare programs)*

Fiscal Year	Total ² (Public-Private)	Public			
		Total	Federal	State-Local	Private
Amount (in billions)					
1950	\$35.7	\$23.5	\$10.5	\$13.0	\$12.2
1955	50.6	32.6	14.6	18.0	18.0
1960	80.1	52.3	25.0	27.3	27.8
1965	119.9	77.2	37.7	39.5	42.8
1970	213.8	145.8	77.3	68.4	68.0
1975	394.3	290.1	167.5	122.6	107.8
1976		332.0	197.4	134.6	
1977		361.6	218.5	143.0	
1978		394.5	240.5	154.0	

As a Percent of GNP

1950	13.5%	8.9%	4.0%	4.9%	4.6%
1955	13.3	8.6	3.8	4.7	4.7
1960	16.1	10.5	5.0	5.5	5.6
1965	18.2	11.7	5.7	6.0	6.5
1970	22.3	15.2	8.1	7.1	7.1
1975		19.9	11.5	8.4	
1976		20.4	12.1	8.3	
1977		19.7	11.9	7.8	
1978		19.3	11.8	7.5	

* Studies on private sector discontinued after 1975.

¹ Includes: Income maintenance, health, education, and welfare and other services.

² Includes the following amounts of duplication resulting from use of cash payments received under public and private social welfare programs to purchase medical care and educational services: 1950-\$0.4 bil., 1955-\$0.6 bil., 1960-\$1.4 billion, 1965-\$2.0 bil., 1970-\$2.8 bil., and 1975-\$5.6 bil.

SOURCE: ACIR staff compilation based on Skolnick, Alfred M., and Dales, Sophie R., *Social Welfare Expenditures, 1950-75*, *Social Security Bulletin*, Washington, DC, U.S. Department of Health, Education and Welfare, U.S. Government Printing Office, January 1976; U.S. Department of Commerce, Bureau of Economic Analysis, *Benchmark Revision of National Income and Product Accounts: Advance Tables*, Washington, DC, U.S. Government Printing Office, March 1976; U.S. Bureau of the Census, Department of Commerce, *Statistical Abstract of the United States 1979*, Washington, DC, U.S. Government Printing Office; and McMillan, Alma W., and Bixby, Ann Kallman, *Social Welfare Expenditures, Fiscal Year 1978, Research and Statistics Note*, Washington, DC, U.S. Department of Health, Education and Welfare, U.S. Government Printing Office, February 14, 1980.

Table A-40

**THE FEDERAL GOVERNMENT IS THE PRIMARY UNDERWRITER OF INCOME
MAINTENANCE PROGRAMS, SELECTED YEARS, 1950-75**
(public and private expenditures for income maintenance programs)

Fiscal Year	Total (Public-Private)	Public ¹			
		Total	Federal	State-Local	Private ²
		Amount (in billions)			
1950	\$ 10.7	\$ 9.7	\$ 5.6	\$ 4.1	\$ 1.0
1955	17.3	15.4	11.1	4.3	1.9
1960	29.8	26.3	20.1	6.2	3.5
1965	42.5	36.6	28.9	7.7	6.0
1970	72.4	60.8	48.2	12.6	11.6
1975 ³	152.8	132.1	102.4	29.7	20.7
		As a Percent of GNP			
1950	4.0%	3.7%	2.1%	1.5%	0.4%
1955	4.5	4.0	2.9	1.1	0.5
1960	6.0	5.3	4.0	1.2	0.7
1965	6.5	5.6	4.4	1.2	0.9
1970	7.5	6.3	5.0	1.3	1.2
1975 ³	10.6	9.2	7.1	2.1	1.4

¹ Includes cash benefits and administrative costs under social insurance, public assistance, supplemental security income, and veterans' and emergency employment programs. Excludes cost of medical services provided in conjunction with these programs and for other welfare programs.

² Includes employee benefits under private pension plans; group life (including government civilian employee programs), accidental death and dismemberment, and cash sickness insurance; paid sick leave; and supplemental unemployment benefit plans.

³ Preliminary.

SOURCE: Skolnick, Alfred M., and Dales, Sophie R., *Social Welfare Expenditures, 1950-75*, *Social Security Bulletin*, Washington, DC, U.S. Department of Health, Education and Welfare, U.S. Government Printing Office, January 1976; and U.S. Department of Commerce, Bureau of Economic Analysis, *Benchmark Revision of National Income and Product Accounts: Advance Tables*, Washington, DC, U.S. Government Printing Office, March 1976.

Table A-41
GOVERNMENT EMPLOYMENT BY FUNCTION, SELECTED YEARS, 1952-77¹

Year and Level of government	National Defense				Nondefense								
	Total	Total	Armed Forces	National Defense and Inter- Relations	Total	Edu- cation	Postal Service	High- ways	Health and Hospitals	Police Protection	Natural Resources	All other	
(Thousands of Dollars)													
1952	Total	10,697				1,884		460	589	254	291	1,760	
	Federal	6,175	4,934	3,592	1,342	1,242	11	525	4	157	16	171	358
	State	1,060				1,060	293		187	210	21	83	267
	Local	3,461				3,461	1,580		269	222	217	37	1,135
1957	Total	10,847				2,470		479	751	317	288	1,994	
	Federal	5,238	4,022	2,800	1,222	1,216	9	524	4	169	22	166	322
	State	1,300				1,300	375		206	284	28	94	314
	Local	4,307				4,307	2,086		269	298	267	28	1,358
1962	Total	12,216				3,237		563	906	380	342	2,240	
	Federal	5,367	3,963	2,828	1,135	1,404	12	585	5	185	22	200	395
	State	1,680				1,680	555		266	356	36	111	356
	Local	5,169				5,169	2,670		292	365	322	31	1,489
1967	Total	15,313				4,568		599	1,039	458	386	2,711	
	Federal	6,439	4,797	3,446	1,351	1,642	18	705	6	195	25	225	418
	State	2,335				2,335	940		294	445	48	131	477
	Local	6,539				6,539	3,610		299	449	385	30	1,766
1972	Total	16,208				5,753		601	1,324	584	413	3,306	
	Federal	5,244	3,561	2,449	1,112	1,683	20	666	5	217	34	227	514
	State	2,957				2,957	1,267		290	537	63	158	642
	Local	8,007				8,007	4,466		306	570	487	28	2,150

1977	Total	17,538					6,515		592	1,508	684	483	3,976
	Federal	4,980	3,122	2,133	989	1,858	22	652	5	254	56	273	596
	State	3,467				3,467	1,483		260	638	70	176	840
	Local	9,091				9,091	5,010		327	616	558	34	2,546

(Per 1000 Population)

1952	Total	68.2											
	Federal	39.3	31.4	22.9	8.6	7.9	0.1	3.3	.03	1.0	0.1	1.1	2.3
	State	6.8				6.8	1.9		1.2	1.3	0.1	0.5	1.7
	Local	22.1				22.1	10.1		1.7	1.4	1.4	0.2	7.2
1957	Total	63.7											
	Federal	30.7	23.6	16.4	7.2	7.1	0.1	3.1	.02	1.0	0.1	1.0	1.9
	State	7.6				7.6	2.2		1.2	1.7	0.2	0.6	1.8
	Local	25.3				25.3	12.2		1.6	1.7	1.7	0.2	8.0
1962	Total	65.7											
	Federal	28.9	21.3	15.2	6.1	7.6	0.1	3.1	.03	1.0	0.1	1.1	2.1
	State	9.0				9.0	3.0		1.4	1.9	0.2	0.6	1.9
	Local	27.8				27.8	14.4		1.6	2.0	1.7	0.2	8.0
1967	Total	77.4											
	Federal	32.5	24.2	17.4	6.8	8.3	0.1	3.6	.03	1.0	0.1	1.1	2.4
	State	11.8				11.8	4.8		1.5	2.2	0.2	0.7	2.4
	Local	33.0				33.1	18.2		1.5	2.3	1.9	0.2	8.9
1972	Total	77.8											
	Federal	25.2	17.1	11.8	5.3	8.1	0.1	3.2	.02	1.0	0.2	1.1	2.5
	State	14.2				14.2	6.1		1.4	2.6	0.3	0.8	3.1
	Local	38.5				38.5	21.4		1.5	2.7	2.3	0.1	10.3
1977	Total	81.1											
	Federal	23.0	14.4	9.9	4.6	8.6	0.1	3.0	.02	1.2	0.3	1.3	2.7
	State	16.0				16.0	6.9		1.2	2.9	0.3	0.8	3.9
	Local	42.0				42.0	23.2		1.5	2.8	2.6	0.2	11.8

¹ Full-Time and Part-Time.

SOURCE: U.S. Bureau of the Census, Department of Commerce, *Public Employment*, Washington, DC, U.S. Government Printing Office, various years; and *Economic Report of the President, 1979*, Washington, DC, U.S. Government Printing Office, 1980.

Table A-42
FEDERAL EXPENDITURES FOR REGULATION OF BUSINESS, 1974-79
 (millions of dollars)

Agency	Fiscal Year					
	1974	1975	1976	1977	1978	1979
Consumer Safety and Health	1,302	1,463	1,613	1,985	2,582	2,671
Job Safety and Other						
Working Conditions	310	379	466	492	562	626
Energy and Environment	347	527	682	870	989	1,116
Other	281	314	323	367	410	410

SOURCE: Subcommittee on Economic Growth and Stabilization of the Joint Economic Committee, Congress of the United States, *The Cost of Government Regulation*, Washington, DC, U.S. Government Printing Office, April, 1978, pp.57-59.

Table A-43
**GROWTH OF FEDERAL INDIVIDUAL
 INCOME TAX,
 SELECTED YEARS, 1913-76**

Year	Percent of Population Covered
1913	less than 1.0% ^a
1918	7.7
1926	4.2
1939	5.0
1945	74.2
1950	58.9
1960	73.1
1970	80.8
1976	75.5

^aAuthor's approximation.

SOURCE: Goode, Richard, *The Individual Income Tax*, Washington, DC, The Brookings Institution, 1976, p.4; and U.S. Internal Revenue Service, *Statistics of Income*, "Individual Income Tax Returns," Washington, DC, U.S. Government Printing Office, May, 1978, p.258.

Table A-44
**PERCENT OF CIVILIAN PAYROLLS COVERED BY
 SELECTED SOCIAL INSURANCE PROGRAMS,
 SELECTED YEARS, 1950-77**

Program	1950	1960	1965	1970	1972	1973	1974	1975	1976	1977
OASDHI (excludes armed forces) (taxable plus nontaxable)	77.2%	89.6%	88.4%	91.3%	91.4%	91.3%	91.4%	91.2%	91.7%	92.2%
Unemployment Insurance (taxable plus nontaxable)	76.3	82.3	81.0	80.0	86.1	86.8	87.9	86.9	87.2	87.5

Note: Federal participation in permanent welfare and/or Social Insurance did not began until 1935 with the *Social Security Act* (as explained in *Historical Statistics of the United States, Colonial Times to 1970*, series H i-411).

SOURCE: U.S. Bureau of the Census, Department of Commerce, *Statistical Abstract of the United States, 1979*, Washington, DC, U.S. Government Printing Office, 1979, p.333.

Table A-45
**ESTIMATED NUMBER OF THE
 POPULATION AGED 65 AND OVER
 RECEIVING OASDHI
 CASH BENEFITS,
 SELECTED YEARS, 1940-77**

Year	Number of Persons per 1,000 Receiving OASDHI
1940	16
1945	73
1950	205
1955	422
1960	638
1965	765
1967	839
1969	854
1971	853
1972	865
1973	884
1974	888
1975	901
1976	906
1977	913

SOURCE: U.S. Department of Health, Education and Welfare, *Social Security Bulletin*, Vol. 42, No. 6, Washington, DC, U.S. Government Printing Office, June 1979, p.75.

Table A-46
**PUBLIC ASSISTANCE,¹ RECIPIENTS AS RELATED TO POPULATION,
 SELECTED YEARS, 1940-78**

Year	Number of Public Assistance Recipients (millions)	Population (millions)	Number of Public Assistance Recipients per 1,000 Population	Percent of Population Receiving Public Assistance
1940	6.983	132.6	52.79	5.3%
1945	3.578	140.5	25.62	2.6
1950	6.052	152.3	40.05	4.0
1955	5.819	165.9	34.96	3.5
1960	7.098	180.7	39.29	3.9
1965	7.802	194.3	40.14	4.0
1970	13.823	204.9	67.35	6.7
1975	16.708	213.6	78.18	7.8
1976	16.371	215.2	76.21	7.6
1977	15.870	217.4	73.14	7.3
1978	15.336	219.2	69.80	7.0

¹ Total includes programs: Old Age Assistance, Aid to the Blind, Aid to the Permanently and Totally Disabled, Families with Dependent Children, and General Assistance Recipients.

SOURCE: U.S. Department of Health, Education and Welfare, *Social Security Bulletin*, March 1978, pp.55, 60 and *Special Analysis of the Budget of the United States, 1981*, Washington, DC, U.S. Government Printing Office, 1980; and U.S. Bureau of the Census, Department of Commerce, *Historical Statistics of the United States, Colonial Times to 1970*, Washington, DC, U.S. Government Printing Office, 1975.

Table A-47
**ANNUAL COST OF FEDERAL
 REGULATION, 1976 AND 1979
 (billions of dollars)**

Year	Administrative Compliance	
	Costs	Costs
1976	3.2	62.3
1979	4.8	97.9

SOURCE: Subcommittee on Economic Growth and Stabilization of the Joint Economic Committee, Congress of the United States, *The Cost of Government Regulation*, Washington, DC, U.S. Government Printing Office, April, 1978, pp.35, 46.

Table A-48

**INCREASE IN RETAIL PRICE OF AUTOMOBILES DUE TO FEDERAL
REQUIREMENTS, 1968-78**

Model Year and Action	Initial Retail Price	Year Total	Total Adjusted for Inflation¹	Cumulative Total
1968:				
Seat and shoulder belt installations	\$11.51	—	—	—
HEW standards for exhaust emissions system	16.00	\$27.51	\$47.84	—
1968-69:				
Windshield defrosting and defogging systems	.70	—	—	—
Windshield wiping and washing systems	1.25	—	—	—
Door latches and hinge systems	.55	—	—	—
Lamps, reflective devices and associated equipment	6.30	8.80	14.53	62.37
1969: Head restraints	16.65	16.65	27.48	89.85
1970:				
Lamps, reflective devices, and associated equipment	4.00	—	—	—
Standards for exhaust emission systems	5.50	9.50	14.77	104.62
1968-70:				
Theft protection (steering, transmission and ignition locking and buzzing system)	7.85	—	—	—
Occupant protection in interior impact (glove box door remains closed on impact)	.35	8.20	12.75	117.37
1971: Fuel evaporative systems	19.00	19.00	28.33	145.70
1972:				
Improved exhaust emissions standards required by <i>Clean Air Act</i>	6.00	—	—	—
Warranty changes resulting from federal requirement that all exhaust emissions systems be warranted for five years or 50,000 miles	1.00	—	—	—
Voluntarily added safety features in anticipation of future safety requirements	2.00	—	—	—
Seat belt warning system and locking device on retractors	20.25	29.25	42.37	188.07

Table A-48—(Continued)

INCREASE IN RETAIL PRICE OF AUTOMOBILES DUE TO FEDERAL REQUIREMENTS, 1968-78

Model Year and Action	Initial Retail Price	Year Total	Total Adjusted for Inflation ¹	Cumulative Total
1972-73: Exterior protection (standard No. 215)	69.90	69.90	95.29	283.36
1973:				
Location, identification, and illumination of controls improvements	.60	—	—	—
Reduced flammability of interior materials	5.80	6.40	8.72	292.08
1969-73: Improved side door strength	15.30	15.30	20.85	312.93
1974:				
Interlock system and other changes to meet federal safety requirements	107.60	—	—	—
Improved exhaust emissions systems to comply with the federal <i>Clean Air Act</i>	1.40	109.00	133.50	446.43
1975:				
Additional safety features associated with federal motor vehicle safety standards Nos. 105, 208, and 216	10.70	—	—	—
Installation of catalytic converter	119.20	129.90	146.66	593.09
1975-76:				
Removal of interlock system (quality decrease) and additional installation of catalytic converters net effects (October 1976)	18.00	—	—	—
1976				
FMVSS No. 105 hydraulic brake system	6.50	—	—	—
FMVSS No. 215 improved bumpers	4.80	—	—	—
FMVSS No. 301 leak resistant fuel system	2.10	—	—	—
Improved emissions control system	7.60	39.00	41.54	634.63
1977:				
FMVSS No. 215 improved bumpers	1.30	—	—	—
FMVSS No. 219 structural changes	.95	—	—	—
FMVSS No. 301 leak resistant fuel system	4.70	—	—	—
Improved emissions control system	14.30	21.25	21.25	655.88
1978:				
Redesign of emissions control systems to meet HEW air quality standards	9.99	9.99	9.99	665.87
Total	519.65	519.65	665.87	

¹ Yearly totals are expressed in 1977 dollars by use of the consumer price index.

SOURCE: Subcommittee on Economic Growth and Stabilization of the Joint Economic Committee, Congress of the United States, *The Cost of Government Regulations*, Washington, DC, U.S. Government Printing Office, April, 1978, p. 44.

Table A-49
**NATIONAL EXPENDITURES FOR POLLUTION ABATEMENT AND CONTROL,
 CURRENT DOLLARS, 1972-77**
 (billions of dollars)

Year	All Sectors	Government	Expenditures by	
			Business	Private Consumers
1972	\$18.687	\$5.495	\$11.594	\$1.598
1973	22.411	6.252	14.007	2.152
1974	26.219	7.522	15.952	2.746
1975	30.825	8.821	18.392	3.613
1976	34.334	9.653	20.475	4.205
1977	37.504	10.038	22.926	4.541

SOURCE: Rutledge, Gary L., "Pollution Abatement and Control Expenditures in Constant and Current Dollars, 1972-77," *Survey of Current Business*, Washington, DC, Bureau of Economic Analysis, February 1979, p.14, 15.

Table A-50
**NATIONAL EXPENDITURES FOR POLLUTION ABATEMENT AND CONTROL
 CONSTANT 1972 DOLLARS, 1972-77**
 (billions of dollars)

Year	All Sectors	Government	Expenditures by	
			Business	Private Consumers
1972	\$18.687	\$5.495	\$11.594	\$1.598
1973	21.055	5.825	13.182	2.048
1974	21.232	6.356	12.692	2.185
1975	22.803	6.982	13.122	2.699
1976	23.950	7.184	13.763	3.004
1977	24.459	6.981	14.388	3.091

SOURCE: Rutledge, Gary L., "Pollution Abatement and Control Expenditures in Constant and Current Dollars, 1972-77," *Survey of Current Business*, Washington, DC, Bureau of Economic Analysis, February 1979, p.14, 15.

Table A-51
GOVERNMENT EMPLOYMENT AND PAYROLL, 1950-78

Year	Number of Employees (thousands)		Monthly Payroll (millions)	
	Federal	State and Local	Federal	State and Local
1950	2,117	4,285	\$ 613.4	\$ 914.6
1951	2,515	4,287	857.4	1,008.0
1952	2,583	4,522	855.9	1,123.7
1953	2,385	4,663	793.1	1,220.5
1954	2,373	4,859	784.8	1,318.3
1955	2,378	5,054	845.7	1,418.8
1956	2,410	5,275	943.7	1,565.7
1957	2,432	5,665	953.0	1,669.0
1958	2,405	5,892	1,091.4	1,885.8
1959	2,399	6,088	1,072.7	2,041.7
1960	2,421	6,387	1,117.8	2,215.0
1961	2,484	6,616	1,213.6	2,419.9
1962	2,539	6,849	1,346.9	2,619.3
1963	2,548	7,188	1,423.0	2,840.3
1964	2,528	7,536	1,475.2	3,097.2
1965	2,588	8,001	1,483.7	3,400.3
1966	2,861	8,618	1,664.8	3,798.2
1967	2,993	8,874	1,842.3	4,213.2
1968	2,984	9,358	2,137.3	4,751.9
1969	2,969	9,716	2,335.3	5,252.3
1970	2,881	10,147	2,427.9	5,906.3
1971	2,872	10,444	2,528.7	6,382.2
1972	2,795	10,808	2,709.6	7,240.0
1973	2,786	11,353	3,012.0	8,014.9
1974	2,874	11,754	3,294.3	8,791.5
1975	2,890	12,084	3,583.8	9,640.1
1976	2,843	12,169	3,564.6	10,359.1
1977	2,848	12,611	3,918.4	11,420.0
1978	2,888	12,743	4,343.9	12,139.1

SOURCE: U.S. Bureau of the Census, Department of Commerce, *Public Employment Annually*, various years, Washington, DC, U.S. Government Printing Office.

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What is ACIR?

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 resources, increased efficiency in collection and administration, and reduced compliance burdens upon the taxpayers.

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.

