

## **HISTORICAL MAGNITUDES AND DEVELOPMENTS AFFECTING THE AMOUNT AND TYPE OF FEDERAL EXPENDITURES**

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### **HISTORICAL CHANGES IN DEMANDS FOR PUBLIC EXPENDITURES FOR COMMUNITY AMENITIES**

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In the late twenties, the Federal Government spent only \$1 out of every \$5 of public expenditures in the United States, State and local governments spending \$4 out of every \$5. With the great depression and World War II both throwing responsibilities upon government that only the Federal Government could shoulder, it is not at all surprising that by the end of the war, the earlier situation had been reversed, with the Federal Government spending 4 out of 5 public expenditures dollars. But a striking feature of the period since 1946 is that, despite continued high Federal expenditures, State and local governments had risen by 1956 to about 40 percent of public expenditures and are still rising.

The almost explosive expansion of State and local government expenditures has drawn much comment, and predictions are freely being made that the expansion will continue. The significance of the upsurge is to be found in the character of State and local expenditures, as contrasted to Federal. What has been mushrooming is expenditures on community amenities. The demands that spark the growth are not those for regulatory functions, economic security, or economic development, but are instead demands for better education, better health, more pleasant cities, recreation, and mobility.

For the Federal Government, the significance of these burgeoning demands for amenities lies, in turn, in the possibility that the Federal Government will either be called upon to meet some of the new demands directly, or to come to the aid of the States and localities with grants, or to reduce Federal taxes so that State and local governments can accumulate the revenues required to support their growing functions.

Where did the new demands come from? How stable are they likely to be? Will they probably increase or decline? In this paper, I shall try to point up some historical changes that help answer these questions and—more generally—throw light on the magnitude of expenditures that might be called for in the awakened pursuit of those amenities of life that can most easily be attained only through collective action.

In America's early years, public economic policy was preoccupied with the economic security of a poor and precarious society. In the very earliest colonial ventures, mere survival overrode any other policy

objective. At a second stage, public economic policy was tailored to economic development to achieve the remarkable rise in personal income that marked the 19th century. But again in the 20th century, policy became preoccupied with economic security—this time not the insecurities of a new continent but the economic insecurities of a complex, unstable, depression-prone economic system. It is quite possible that we are now moving for the second time into a period of expansion and development as a fourth stage in the sequence. In the quickened pursuit of collective amenities, we may be on the threshold of a long period of expansion that will, as did the three earlier stages, put its distinctive stamp on the economy. The possibility of dividing American economic history into these four stages proves nothing, to be sure; but it suggests that present straws in the wind may presage not simply a minor alteration of our course but a fundamental change in the character of American life. Hence the growth of public expenditures on amenities ought to be investigated without any attempt to minimize its possible significance.

#### COMMON HYPOTHESES EXPLAINING RISING EXPENDITURES ON AMENITIES

##### *Rapid growth and redistribution of population*

Widely remarked as the source of many new demands for water and sewage systems, highways and streets, other public construction and public services, rising population and suburbanization are hardly to be questioned as major factors in post-World War II public expenditures. To be sure, increased density of population, up to a point, can spread the cost of social overheads, with a consequent decrease in per capita public expenditures, but new people in new places undoubtedly call for public expenditures, especially capital outlays, and too high a density of population probably pushes expenditures on social overheads beyond a point of diminishing returns. But rapid population growth and movement we have had before in the history of the United States, and, without belittling its immediate importance for State and local expenditures on amenities, one would doubt that it would produce a lasting and major redirection of public policy toward collective amenities unlike anything we have seen before.

##### *Growing social interdependence*

Modern technology, the scale of business enterprise, and urbanization have unquestionably created a high order of social interdependence in our society, running far beyond the interdependence of frontier farmers or early artisans. And everyone recognizes that this growing interdependence has increasingly thrust regulatory, protective, and developmental functions upon government. It seems fairly clear that it also makes it impossible for individuals to enjoy many of the amenities of life, such as certain kinds of recreation and easy mobility, without calling upon government to clear the way. And it is, of course, interdependence that makes each child's education the concern of every citizen and turns education from a privately consumed service into a collectively demanded and regulated one. Again, however, while growing interdependence explains some of the slowly growing expenditures on collective amenities over the course of

American history, it does not promise a sharp or revolutionary alteration in public expenditures on them.

#### *Rising income and wealth*

In rising income and wealth, we come to a phenomenon capable of sparking a dramatic alteration of public policy in the direction of collective amenities. We can now and increasingly in the near future afford even lavish outlays on education, recreation, highways, physical and mental health, urban redevelopment, and the like, for we have finally arrived at a level of personal income where we begin to wonder how to dispose of it, as is indicated by the character of American advertising and consumer response to it. There is little doubt that rising income, together with the new aspirations that accompany it, accounts for much of the postwar demands for better education, for example.

#### *New leisure*

The air is thick these days with talk of reducing the workweek, and the earlier achieved and prospective growth of leisure is the other side of the coin of increased income. We do not demand increased expenditures on community amenities only because we can afford them but also because we have time to enjoy them. Leisure is an enormous stimulant to aspiration.

#### *The end of poverty*

A development may sometimes go so far as to appear to have fundamentally changed its own character. The rise of American income has now gone so far as to have nearly eliminated poverty, in the usual sense of the term. Because it has been engraved upon our minds that the poor we shall always have with us, such a development can have great and dramatic consequences for our views of the world and for our aspirations. It is, of course, too early to say. But is it not believable that citizens freed from the age-old concern over poverty will find new goals of public policy, new causes, new issues, and find themselves caught up in an enthusiastic and accelerated demand for the amenities of life that seemed both too much and too immoral to hope for in the face of poverty among their fellow citizens? We should not underrate the force of such intangibles of history.

### DECLINING DEBATE AND EMERGING AGREEMENT ON THE ROLE OF GOVERNMENT

Of the above historical changes, some would appear to account for a relatively small shift in public expenditures toward the amenities, while the full significance of some of the others will better be seen if they are coupled with a further historical change that outweighs them all; the slow but unmistakable decline of the debate over the proper functions of government and emerging agreement that government is an instrument to be used fairly freely in the pursuit of a wide variety of goals. It is as though we had finally decided to free a fettered giant.

Because the new agreement is, although overwhelming, still not unanimous, it is alarming to those who do not share it. But, whether alarming or gratifying, it has come to pass.

The emergent agreement can be described by contrasting it with the debate it supersedes. It was a debate over the role of government in which policy alternatives were identified with the grand alternatives of socialism and capitalism and in which the dominant view was that only by holding fast to private enterprise free from government domination could the evils of socialism be avoided. Even small policy alternatives, as, for example, those pertaining to details of monetary policy or the securities markets, were often debated as though the alternatives were not these policies at all but the two great institutions of socialism and capitalism.

Frightened by our own discussion of policy, we have hesitated to employ government as freely as we now appear to intend for the future.

Evidence that the debate is almost over has been conspicuous in recent years. In the last presidential campaign, the Democrats' poverty of campaign issues revealed the degree to which both major parties agreed on the role of government. It was no longer possible, as it had been in New and Fair Deal days, for the Democrats to find challenging functions for government that would separate the two parties. Or consider the flavor of some of the new conservatism, about which we have been hearing much lately. Its stress is not on the rugged individualism of unrestricted free enterprise but on the conforming community, on social solidarity. The new conservatism seems more fearful of the maverick than of strong government, and some of the new conservatives would happily embrace a program of collectively provided amenities with government in a paternal role if this would strengthen the bonds of community.

More striking evidence that we are all coming to agree on the new larger role for government is the Eisenhower budget, compelling evidence that public budgets cannot be significantly reduced. The cries of anguish that greeted its announcement were loud, but because the illusion that Republicans could cut the budget where Democrats would not was finally, bitterly, sadly, embarrassingly destroyed.

What in our history put an end to the old debate? What accounts for the emerging agreement on the expanded role of government?

The first explanation is that one cannot indefinitely debate irrelevancies without discovering that one is doing so. It never was true that each new function of government forced us to choose between socialism and capitalism, and, while one is tempted to quote from the historical debate to show how foolish it now looks in retrospect, it is enough to observe how liberal and conservative alike have come to point with pride at a growing list of governmental functions as proof of capitalism's flexibility in meeting the people's problems. For some public functions, ritual requires the old language, but few take its irrelevancies to heart.

Secondly, our experience since the late thirties with fiscal and monetary controls designed to maintain full employment—and, specifically, their relative success, have vastly increased our confidence in the instruments of government.

Thirdly, our wartime successes in government direction of the economy have given us, not a taste for the same diet in time of peace, but, again, a greater confidence that we can employ government far beyond the capacities we used to expect of it, and do so without fear of either intolerable inefficiency or threats to our liberties.

Fourth, we have come to understand government and society better than before, and we treat the question of governmental functions as a subject for research and discussion rather than for simple-minded moral pronouncements. The technical skills of economists in problems of monetary management, which go far beyond those of 20 years ago, illustrate that growing knowledge makes government a more tractable and generally useful servant.

Fifth, we agree on a new large role for government because, for the first time in our history, we cannot deny that we can afford it.

Sixth, we agree on expanding collective consumption because conspicuous private consumption is less admired than in the days when Thorstein Veblen invented the term. It is a curious shift in attitudes that makes blue jeans as popular among the wealthy as among the less favored. In a society as equalitarian as ours, some kinds of goods and services are comfortably consumed only when others can share their enjoyment; hence, the wealthy are turned to a degree from exclusive consumption to leadership in the demand that many of life's amenities be widely distributed through government. It is not the low-income groups who are always in the forefront of campaigns for better schools, parks, streets, and other public services.

Seventh, it may even be true that our traditional concern over the irrationality of much government expenditure is subsiding in the face of patterns of private consumption that flow from our phenomenally high incomes. The demand for new novelties in consumption "for the man who has everything" gives one pause about the rationality of private consumption. So, too, the price we are willing to pay for fashion, specifically for a series of new models in durable goods. We like the alternatives that our wealth offers us in private consumption, but we cannot any longer believe, as we could when bread and butter were more urgent needs, that private consumption is rationally directed toward higher priority goods and services than are government expenditures. Schools, parks, highways, water, sewage disposal, and the like come to be conceded an obvious high priority relative to many of the private goods we can find to use up our new incomes.

Lastly, one might mention as a possible factor in the emerging agreement on a large role for government-provided amenities the hypothesis that our society is too much fragmented and that our citizens want communal associations. It is only a hypothesis, but it is thoughtfully discussed by economists impressed by the impersonality of the market mechanism, by psychologists and psychiatrists impressed by evidences of personal insecurity in our large-scale society, and by sociologists impressed by the contrast between the social bonds of mass society and the more intimate ties of earlier and smaller societies. It is not impossible, therefore, that agreement on expansion of the social amenities is a reaction to the destruction of older forms of association by the expansion of the market economy.

The interpretation of historical trends is a dangerous business, all the more so in the present case because it has not been possible to document the analysis suggested here. But whether the reasons given here are correct or not, agreement does appear to be emerging on a new and large role for government; and this, above all other factors tending in the same direction, promises for the future a revolutionary expansion of provision of community amenities. As already indi-

cated, the immediate demands will be largely on State and local government; but the magnitude of the demands will raise many questions of tax and expenditure policy for the Federal Government, for it, too, will feel the force of the demands upon State and local government, as well as demands directly upon Washington.