AMERICAN FEDERALISM: THE EVOLUTION OF INTERGOVERNMENTAL RELATIONS IN THE UNITED STATES

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PREFACE

The present paper was written as a result of a recommendation made by the Contingency Task Force of the Nebraska Governor's Planning Council on Developmental Disabilities. Initially, in April 1981, the Task Force was established to begin planning for the manner in which the Council would reorient itself in light of the uncertainty surrounding federal initiatives relative to the Developmental Disabilities program, especially the impact of blocking. However, by July 1981, blocking issues had been clarified and the focus of the Task Force shifted to an examination of the impact of potential budget reductions and the need for reorientation of the Developmental Disabilities program in light of significant changes yet to occur within the structure of other agencies serving persons with developmental disabilities, e.g. education, social security, medicaid, etc. The specific recommendation made by the Task Force and adopted by the Council in July 1981, was to "re-examine the orientation and implementation of the Developmental Disabilities program in Nebraska in light of the impact of the new federal budget and philosophy on the operation of state programs and to reorient the Developmental Disabilities program to most effectively serve the developmentally disabled." A major component of this general recommendation was to analyze special issues which needed to be considered by the Council. One of the special issues to be analyzed was the new federal philosophy and its potential impact on intergovernmental relations. The responsibility for conducting this analysis was assigned to the Planning Committee and its staff.

The author is indebted to the Council for providing the opportunity for research and study of federalism and intergovernmental relations. Special appreciation is extended to Ms. Beth Macy, Staff Director of the Council for her support, encouragement, and guidance during this project. The editorial suggestions of Ms. Susan Ames, Executive Director, NADDC; Professor Chuck Powell, University of Nebraska-Omaha, Department of Public Administration; Mr. Stephen Brunette, J.D., University of Nebraska-Lincoln, Psychology and Law Program; and Ms. Ginny Wright, Coordinator, Nebraska Coordinating Council for the Handicapped, greatly enhanced the manuscript. Last but not least, I would like to express my sincere appreciation to Ms. Albie Kolar who typed and retyped numerous drafts of the manuscript, as well as the final copy, despite times of mutual exasperation.

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EXECUTIVE SUMMARY

The dynamic and adaptive quality of American Federalism has enabled our form of democratic government to endure despite a multitude of crises and considerable divergence of opinion. During the past 13 years, there has been an increasing tendency to advance what is termed the "new federalism." In reality, there is nothing particularly new about this approach, it being in essence a redefintion of perspectives. This paper traces the development of American federalism, and examines the flow of federal funds and the system of intergovernmental relations. Under the Reagan administration numerous proposals have been developed and introduced which ultimately will have a profound effect upon the structure of federal funding and the system of intergovernmental relations.

Section I highlights the major developments in American federalist theory. In general, the evolution of American federalism can be viewed within the framework of two major theories: Competitive and Cooperative. Competitive theories of federalism held pre-eminence from roughly 1787 to 1913. These theories held that competition exists between the national government and the states over matters related to powers, purse, and administration. Three major eras in Competitive Federalism have been identified: nation-centered, state-centered, and dual federalism. The basis of nation-centered federalism (1787-1840) rests on the idea that since the United States Constitution emanated from and was ratified by the American people as whole, the government which the whole people created, i.e. the national government, should be the focal point of political power and have the primary responsibility for meeting the needs of the people. In contrast, state-centered federalism (1840-1861) has as it's basis the conviction that there is only a limited amount of power available to government in the United States and that the Constitutional delegation of power, construed as narrowly as possible, is all that can safely be exercised by the national government. Under dual federalism (1861-1913) the national and state governments were viewed as two separate centers of power each having clearly demarcated and independent spheres of activity.

By the turn of the Twentieth Century, the controversy over national verses state power had subsided and the theory of Cooperative Federalism began receiving increased attention. Cooperative theories of federalism (1913-present) hold that there is virtually no sphere of activity in which both the national government and its constituent units (i.e. states and localities) are not involved, it being a matter of the degree of involvement. Three major eras in Cooperative Federalism have been identified: cooperative, creative, and the "new" federalism. Cooperative federalism (1913-1962) developed as a result of recurring national crises, i.e. World War I, the Depression of 1929, and World War II. During this time there was an increase in the activity of government at all levels as well as an increase in the collaboration of the federal government with state and local units of government. Many significant events characterized this period such as: enactment of a national income tax in 1913; utilization of categorical grants-in-aid to assist

states in meeting crises; and serious study devoted to the system of intergovernmental relations. Creative federalism (1962-1968) is an extention of cooperative federalism in that it also emphasizes cooperation among all levels of government. It differs primarily in that greater emphasis is placed on local and private centers of power. The above approach resulted in numerous management and administrative problems because the programs were operated and staffed by inexperienced local personnel. Growth in the number of categorical programs and accompanying rules and regulations governing federally-assisted state and local programs occured as Congressional and Executive branches sought to meet the demands of citizens and special interest groups as well as insuring that legislative intent was being met. As a result of these and other problems, President Johnson asked Congress to support and develop legislation aimed at improving the administrative mechanisms of all levels of government. Their efforts resulted in the passage of the Intergovernmental Cooperative Act of 1968.

The most recent era in American federalism began with the administration of Richard Nixon in 1968. This period has been termed "the new federalism" and had the major theme of rechanneling power, funds, and authority to the level of government closest to the people. It was envisioned that this approach would allow Americans to regain control of their national destiny by returning a greater share of control to state and local authorities. This administration placed great emphasis on the effective implementation of government policies at the state and local levels. A number of Executive Department reorganizations and Executive Orders were developed and implemented under the Nixon administration which led to more effective implementation of national policies; placed greater emphasis on the responsibility of state and local governmental units; standardized and simplified grant and administration process; standardized the procedures and regulations applicable to planning; established a federal regional system with common boundaries nationwide; and initiated management capacity building activities at both state and local levels of government. Under the administration of Ford and Carter there were no significant changes in the theory of federalism and a number of the proposals implemented during the Nixon administration were continued.

Section II presents a brief overview of the problems of state and local governments relative to the system of intergovernmental relations. A number of authors reviewed assert that solutions to the problems experienced by the states will most likely require modification in constitutional, executive, legislative, administrative, and political areas, as well as others. In like manner, the problems experienced by local governmental units are multiple and may require modification in the state's constitutional and statutory prospectives of these units; the implementation of sound administrative management practices at the local level; and the development of procedures and policies that encourage citizen participation.

Section III discusses the impact of federal funding, specifically grants-in-aid, on the system of intergovernmental relations. The mechanism of grants-in-aid has been the single most significant factor

in bringing out planned national-state collaboration. The federal government began using grants-in-aid on a large scale basis after the economic crisis of 1929. Since then, grants-in-aid have undergone a massive proliferation in numbers, size, and variety. This mechanism became popular for several reasons: 1) it was a way to incorporate decentralized decision-making into the operation of the federal government yet allow for significant federal oversight responsibilities to be maintained; 2) the differing tax and economic resources among the states was great and grants provided a mechanism for some equalization of resources; 3) the efforts of special interest groups lobbying in Washington who sought to have legislation established for their constituents; and 4) the ability and willingness of the federal government to engage in deficit spending.

Although the influence of federal grant programs on the system of intergovernmental relations has been significant at all levels of government--not all participants were satisfied with the categorical grant-in-aid system. During the 1960's and 1970's, in response to the growing dissatisfaction with the grant system expressed by state and local administrators, the federal government began to experiment with two distinct strategies aimed at improving the mechanisms of federal funding. The first strategy sought to adopt marginal or incremental adjustments in the current grant system through grants consolidation (blocking). The second strategy sought to replace grants with entirely new techniques such as revenue sharing. Although both strategies resulted in some increase in fiscal and administrative autonomy at the state and local levels, they have not been the hoped-for panacea. However, block grants have now become a major plank in the platform of federal fiscal reform under the Reagan administration.

Section IV presents a discussion of dysfunctional issues which challenge current American federalism in addition to analyzing major changes in federal funding and the system of intergovernmental relations which are likely to occur under the Reagan administration. Some of the underlying factors contributing to the view that current federalism is dysfunctional are: a breakdown of certain fundamental constraints in constitutional, fiscal, and political areas, and the impact of special interest groups lobbying efforts at the national level combined with bureaucratic and congressional policy entrepreneurship. An understanding of such dysfunctional features of American federalism are closely related to the extention of new federalism policies which the Reagan administration has initiated. Two major initiatives under the Reagan administration which are envisioned as increasing state and local autonomy are block grants and deregulation. These initiatives have resulted in a considerable divergence of opinion on the part of state and local government officials, special interest groups and other interested parties. Changes in the flow of federal funding and current regulatory mechanisms are likely to have a profound impact on the system of intergovernmental relations. In general, state and local government units will have greater autonomy and responsibility for domestic matters, while the purview of the federal government will be in areas of defense and other matters related to national security.

INTRODUCTION

The purpose of this paper is to trace briefly the evolution of American federalism from its beginning in the U.S. Constitution to the present.[1] Included is a discussion of the various forms of American federalism, the problems state and local governments have experienced in their relationships with the national government, the structure of the federal grants-in-aid system, and a prospectus on federalism for the 1980's.

The precise meaning of American federalism has never been completely clear. In its most literal sense, federalism is a form of social organization, "...in which units of government join and agree to subordinate governmental powers to a superior government authority. The nature of this agreement----which powers are to be exercised by individual members, and which are to be surrendered to a central authority----is what constitutes the federal relationship." (Shapek, 1981: 1)

Federalism is not an exclusively American concept, and various forms of federalism have existed and exist today throughout the world. However, American federalism is uniquely resilient in its capacity to adapt to the continually changing needs of its state and local constituents. American federalism has changed significantly since the concept was first expressed formally in the Constitution, while remaining a unique and bold experiment in government.

Recognition of the adaptibility of American federalism is essential to understanding the "New Federalism" and changes in the structure of intergovernmental relations currently proposed by the Reagan administration. In November, 1980, the American public hard--hit by the effects of double-digit inflation, high unemployment rates, dissatisfaction with "big government," the perception of an inconsistent national security policy, and faced with a dissolution of the "American Dream," among other reasons, changed the leadership which guided the direction of the national government. The Reagan administration proposes a new beginning for America, and is laying the groundwork for yet another change in the character of American federalism.

I. THE EVOLUTION OF AMERICAN FEDERALISM

The evolution of American federalism can be conveniently divided into six distinct stages (see Table I below). Each state can be associated with a particular theory of federalism, based on interpretations of the Constitution by federal judges, the flow of federal funds, and the structure of intergovernmental relationships among the national, state, and local governments (Shapek, 1981; Leach, 1970; Grodzins, 1966). In the following sections, the prominent theoretical contributions and major features of each stage will be examined. To aid in understanding, these stages are summarized under two main categories: competitive theories and cooperative theories of federalism. Competitive theories hold that competition exists between the national government and its constituent units over matters related power, purse, and administration. In contrast, cooperative theories hold that there is virtually no sphere of activity in which both the national government and its constituent units are not involved, it being more a matter of degree.

TABLE I

FEDERALISM IN TRANSITION

THEORY OF FEDERALISM (Approximate Dates)	PHASE DESCRIPTION	POPULAR METAPHOR
Nation-Centered 1787-1840	Autonomy and Conflict	Legal Federalism
State-Centered 1840-1861		
Dual 1861-1930		Layer Cake
Cooperative 1930-1962	Cooperation	Cooperative
Creative 1962-1968		
New Federalism 1968-1972 Pragmatic Federalism 1972-1974 Administration and Management 1974-Present	Partnership (with the National Government, the Senior Partner) or Intergovernmental Relations	Marble Cake
		Picket Fence

Competitive Theories

Nation-Centered Federalism: 1787-1940

Some scholars have termed the first era in American federalism "nation-centered federalism." The basis for this centralist theory of federalism can be attributed to Alexander Hamilton, Secretary of the Treasury under President Washington, and later to John Marshall, Chief Justice of the United States Supreme Court. Leach (1970) offers the following succinct summary of this theory:

> The nation-centered theory of federalism posits the idea that the Constitution is a document emanating from and ratified by the American people as a whole. It follows that the government which the whole people created is the focal point of political power in the United States and that it has the principle responsibility for meeting the needs of the people. (Leach, 1970: 10)

During this formative stage of American federalism the major forms of nation-centered relationships known to us today with respect to powers, purse, and administration were established. Grodzins (1966) characterized these relations in terms of powers, purse, and administration. For example, power relationships were clarified when state and national laws were brought into alignment with each other, in some cases by the adoption of state laws as national laws and vice versa. Also, the states engaged in interstate compacts, e.g. agreements governing fishing rights, commercial rights on waterways, port regulations, and boundary arrangements. Fiscal matters were clarified when the federal government and states evolved a substantial division of revenue resources. For example, the Constitution deprived states of import duties; the national government took over and accepted full responsibility for financing, administering, and manning such services as national defense, foreign affairs, the mails, customs, the national judiciary, etc; and the national government established patterns for the disposal of public funds. In addition, the national government made its first grants-in-aid in the form of land grants, and assumed responsibility for the states' revoluntionary war debts. Administrative relationships were made clearer during this period in that state and national officials cooperated-informally or under statutory authority-in the performance of joint or related activities. Also, administrative arrangements were completed for both states and the national government to undertake functions in fields within the other's authorized jurisdiction, and states performed national government activities through contractual arrangements.

The first objection to this centralist theory was expressed in the Virginia and Kentucky resolutions of 1798, and by Thomas Jefferson and John C. Calhoun. The opposition posited that it was the states and state initiative that led to the Constitution, and therefore the locus of power lay in the states and not the national government.[2] Early constitutional adjudication did not adopt the opposition theory however, and landmark decisions of Chief Justice John Marshall (1801-1835) confirmed a strong role for the national government.

State-centered Federalism: 1840-1861

By 1840, the situation began to change and the anti-centralist concerns of Jefferson and Calhoun had given way to a more mature theory of state-centered federalism. Proponents of this theory argued that the state's power is protected by conditional limitations restricting the power of the national government (as delimited in Article I, Sections 8, 9, and 10 of the United States Constitution) by specifying the powers which may be exercised by the Congress (Section 8), by specifically restricting what Congress may not do (Section 9), and by specifying what the states may not do as well as containing the "reserved" phraseology (Section 10). Appendix A contains the abovenoted Sections of Article I of the United States Constitution for reference.

Leach (1970) characterizes state-centered federalism as follows:

> The chief focus of citizen and governmental attention, believers in this theory are convinced, should be to guard against any enlargement of national power. For basic to the theory of state centered federalism is the conviction that there is only a limited amount of power available to government in the United States and that the constitutional delegation of power, as narrowly construed as possible, is all that can safely be exercised by the national government. Any expansion beyond those narrow limits amounts to unsurpation of power which rightfully belongs to the states. (Leach, 1970: 12-13)

The advancement of this position, especially in regard to the states' right to secede from the Union in the period 1860-1861, significantly contributed to the Civil War and ultimately to a redefinition of perspectives.

Dual Federalism: 1861-1913

The Civil War, in one sense, was fought between the proponents of nation-centered and state-centered federalism. Despite the victory of the former, however, the nationalist concept did not emerge as the dominant and unchallenged interpretation of American federalism. Even prior to the Civil War the Supreme Court, under Chief Justice Roger B. Taney, began to formulate a theory of dual federalism in which the national and state governments were viewed as two separate centers of power, each with clearly demarcated and independent spheres of activity. The doctrine of dual federalism was clearly expressed by Chief Justice Taney in the Court's decision in re: Ableman vs. Booth, 21 How. 506 (1859):

> The powers of the General Government, and of the State, although both exist and are exercised within the same territorial limits, are yet separate and distinct sovereignties, acting separately and independently of each other, within their respective spheres. (As cited in Sundquist and Davis, 1969: 6)

Daniel J. Elazar, a leading scholar on 19th century federalism, contends that this conception of the separation of powers as contained in the Constitution was not an accurate picture of reality even during this era. Elazar (1966) asserts that the federal and state governments were acting cooperatively, not independently, in a number of areas of government, e.g. commerce, land grants, education, agriculture, internal improvements, forestry, welfare, etc. At this point, the national and state governments had come to recognize one another as legitimate forms of authority, but the parameters of their mutually respected purviews were just beginning to be defined. By the turn of the 20th century, the controversy over national versus state power had subsided and the problem of dual versus cooperative federalism began receiving increased attention.

Cooperative Theories

Cooperative Federalism: 1913-1962

During the era known as cooperative federalism, recurring national crises such as World War I, the Depression, and World War II gave impetus to many long-term trends which account for the increased activity of government at all levels, and the increased collaboration of the national government with state and local governments (Grodzins, 1966). Professor Grodzins has characterized governmental activity during this era as follows:

> The multitude of governments does not work any simplicity of activity. There is no neat division of functions among them. If one looks closely, it appears that virtually all governments are involved in virtually all functions. More precisely, there is hardly an activity that does not involve the federal, state, and some local governments in important responsibilities: functions of American governments are shared functions. (Grodzins 1966: 4)

During this period, the national government engaged in a number of "pump priming" activities i.e. grant expenditures in such fields as public works, welfare, social security, and agriculture were increased. The steady growth in national government expenditures during the first decade of the Twentieth century required new sources of revenue, and led directly to the enactment of a national income tax in 1913. By taxing income on a permanent basis, the national govenrment secured a readily expandible source of revenue. On the expenditure side of the coin, the success of the Agricultural Extention Service focused national attention on the system of conditional grants, i.e. a grant that is awarded with limitations (conditions) attached to the use of the funds.

With the increased fiscal resources available through the national income tax, conditional grants for new social and economic programs became a mechanism ready for future evolution. As a result of the economic depression of 1929, "...the number of persons who depended on day-to-day earnings, and who lost this means of self-support in the economic crisis, reached proportions beyond the management of state and local governments. Fiscal resources of both local and state governments

proved inadequate to support the strain of urgent new responsibilities, and the national government stepped in" (Grodzins, 1966: 43). This was the beginning of a tradition of extensive federal emergency aid made available to state and local governments during times of crisis. Examples of emergency aid during this period include emergency highway grants, WRA, TVA, among others.

As the depression emergency grant system was being phased down during the late 1930's, a new series of smaller emergency grants were authorized and several new permanent federal grant programs were inaugurated including, old age assistance, aid to dependent children, aid to the blind, and unemployment compensation, among others. After World War II, the national government expanded its grant-in-aid program to include the school lunch program, hospital facilities, and airport construction. One significant impact of the grants-in-aid system that evolved during this period was an increase in direct contact between the national government and state and local governments. As the national government increased its financial stake in the effective operation of state programs (see Figure I), national officials increased their supervision of state activities funded with federal money. A detailed discussion of the impact of the grants-in-aid system on intergovernmental relations appears in Section II of this paper.

FIGURE I

GOVERNMENTAL EXPENDITURES IN THE UNITED STATES

(in billions of dollars)

	1913	1932	1942	1946
Expenditures from own source:				
National	0.7	4.4	35.1	61.9
State and Local	1.8	8.2	9.2	10.7
TOTAL	2.5	12.6	44.3	72.6
Expenditures for own functions:				
National	0.7	4.2	34.2	61.1
State and Local	1.8	8.4	10.1	11.6
TOTAL	2.5	12.6	44.3	72.6

Government expenditures continued to increase throughout the 1940's and 1950's as did concern for efficient and effective administration of government programs. Beginning in this era, both the Executive Office and the Congress established numerous committees and commissions to study the administrative environment in which intergovernmental relations occur. During the administration of President Eisenhower, a number of study groups such as the U.S. Commission on Intergovernmental Relations

(known as the Knestnbuum Commission), the Joint Federal-State Action Committee, as well as several House and Senate Sub-Committees were established to conduct a thorough study of the system of intergovernmental relationships that existed among the national government, and state and local governments.

The studies conducted by these groups held that the national government, states, and localities should not be regarded as competitors for authority, but as three cooperative and complementary levels of government striving to meet the growing needs of the U.S. citizenry.[3] As a result of these extensive studies, Congress established the Advisory Council on Intergovernmental Relations (ACIR) in 1959, to act as a research and linking mechanism between the Congress and federal agencies and to enhance coordination and cooperation among all levels of government.

The era of copperative federalism illustrates the dynamic and flexible nature of American federalism. The complex, collaborative nature of the American system of government led Grodzins to compare the system to a "marble cake" with multiply shared activities and services, even though it is formally structured like a layer cake, in three planes, i.e. local, state, and national. During this period many national crises served to fundamentally alter the structure and function of national and state intergovernmental relationships. Focus shifted from the basic issues of separation of powers and functions to issues associated with the sharing of responsibility among all levels of government. Leach (1970) suggests that under cooperative federalism, the Constitution was seen as envisioning a single mechanism of government in the United States, with many centers of power, which among them were to perform all the functions of government by the American people through intergovernmental cooperation. As a result of the system of intergovernmental relations states generally benefitted from the flow of federal funds which helped to expand services and to keep state and local tax rates lower-however they lost autonomy in the operation and administration of the federally assisted programs due to federal oversight responsibilities (e.g. regulations and assurances).

Creative Federalism: 1962-1968

Creative Federalism is an extension of cooperative federalism in that it also emphasizes cooperation among all levels of government. It differs however, in that greater emphasis is placed on local and private centers of power. Shapek (1981) notes that creativity, or the imaginative establishment of new relationships, is characteristic of this era:

> The national government offered assistance programs to the states and localities in return for their agreement to implement and carry out programs in a variety of activities deemed important to national interests. Private industry was encourage to participate in the regulatory process and to assume functions that council also be performed by government. (Shapek, 1981: 6)

The above approach was implicit in the "Great Society" programs initiated under President Johnson's administration. Even though this

era has been characterized as "creative" viz. imaginative, numerous problemmatic areas arose as a result of the dramatic expansion of national programs, in response to issues of national interest. Management and administrative problems resulted from the staffing and operation of programs by inexperienced local persons. A shift in the balance of power between the national, state, and local governments occured as a result of the increase in the demands from citizen and public interest groups. There was a growth in the number of rules and regulations developed to insure that programs met legislative intent thus making the process of rulemaking complex and time consuming. In addition, management and coordination of programs at the national level and among all levels of government was becoming piecemeal.

These problem areas arose, in part, from the process through which the national government expanded in order to meet the national needs that precipitated the establishment of specific programs. Within the national bureaucracy, specific programs were assigned to "mission agencies" such as the Office of Economic Opportunity, Department of Housing and Urban Development, etc. Each federal mission agency expressed the tendency to develop a separate counterpart at the state and/or local level. Because a centrally initiated coordinating policy was lacking, the management strategies, regulations, and other administrative requirements in one mission agency often conflicted with those in other mission agencies. As a response to these problems, the federal government designed "coordinating systems" to simplify the process of program delivery. Unfortunately such systems increased the complexity of the federal rules and regulations applicable to each program. In addition, federal agency grant allocation methods for control and accountability were established for lower levels of government without regard for the requirements imposed by other agencies.

Another major issue, apparent to even the most casual observer of national government activities, was that each department tended to pursue its own interests. It appeared that retention of program control by the "mission agency" precluded inter-agency coordination among similiar programs. These attitudes among federal program managers, combined with the lack of nationally provided incentives for interagency cooperation underscored the basic weaknesses of the national grants-in-aid system: the absence of a unified intergovernmental system with presidential leadership and the lack of an organizational framework to carry out national policy. From the eyes of the grant applicant and recipient, the federal government appeared to be an amorphous mass lacking directon or control. (Shapek, 1981)

During 1965-67 all agencies and levels of government experienced considerable difficulty in implementing the massive program structure of the Great Society. Several new study groups and commissions were appointed to investigate problems associated with changing intergovernmental relationships. These studies confirmed the need for improvement of federal program coordination. This, in and of itself, would have been no easy task to accomplish, since most program administrators at the federal level were found to exhibit an anti-state or anti-local bias and often were not cognizant of the impact or repercussions their actions have at state and/or local levels. In fact, throughout the mid 1960's no general system existed which allowed for prior consultation with

representatives of different levels of government for assessing potential impacts of various program/policy decisions being made at the national levels.

Recognizing this systemic problem, President Johnson initiated a number of steps, starting in 1966, to remedy this deficiency. First, he directed the heads of all federal agencies to initiate joint planning between executive departments and their counterparts at the state and local levels. Secondly, in 1967 the President asked Congress to support the development of legislation aimed at improving the administrative machinery of government. These efforts resulted in the passage of the Intergovernmental Cooperation Act of 1968. By the time Richard Nixon took office in 1969, a framework to effectuate major changes in the area of intergovernmental relationships had been established; and the era of creative federalism had come to an end.

New Federalism: 1968 - Present

The most recent era in the evolution of American federalism began with Richard Nixon's administration in 1969. This period, termed the "new federalism", had the major themes of rechanneling power, funds, and authority to the level of government closest to the people; and thereby regaining control of our "national destiny" by returning a greater share of control to state and local authorities.

When President Nixon came into office much of the machinery for reform of the system of grants-in-aid and intergovernmental relations had already been established. Specifically, the Intergovernmental Cooperation Act (ICA) of 1968 addressed many of the previous systemic deficiencies as well as the complaints of state and local decision makers. The main features of the ICA included:

- mandatory notification of the purpose and amounts of grants-in-aid and support provided to a specific state, upon the request of a governor or state legislature;

- removal of the requirement that states keep federal funds in separate bank accounts;

- requirement that federal agencies schedule the disbursement of funds to recipient governments to minimize the time between disbursement and use;

- a requirement that agencies coordinate the planning provisions of separate federal programs and incorporate them into local and regional comprehensive planning efforts; and

- authority for the President to establish rules and regulations to govern the formulation, assessment, and review of federal grant programs having area-wide significance.

In implementing these recommendations the Nixon administration stressed responsible decentralization and emphasized a strong concern with basic systems. Great emphasis was placed on the effective implementation of government policies, especially at the state and local levels (Leach, 1970).

In 1969, the Executive Office established the Office of Intergovernmental Relations under the immediate supervision of the Vice-President. This Office was charged to improve federal, state, and local relationships and to review the procedures of federal executive agencies. Unfortunately, the Office lacked significant authority and accomplished little during its existence (Shapek, 1981). In 1970, the Executive Office established the Domestic Council which was responsible for assessing national domestic needs, defining national goals, analyzing specific national proglems, monitoring compliance with existing policies, and formulating policy recommendations in response to domestic problems. The Council gave form to the administration's new federalism approach to domestic affairs and made it easier for domestic policy issues to be brought up for consideration in the White House, but was unable to fully live upto its charge because domestic policy was eclipsed by the President's concern with international affairs and the Vietnam war.

In addition to establishing the Domestic Council, the Administration also significantly reorganized the Bureau of the Budget (BOB). In 1970, the Bureau was reorganized into the Office of Management and Budget (OMB). This agency, using a Management of Objectives (MbO) approach, was concerned with how and how well national objectives and policies were being met. OMB's role was expanded to include: fiscal analysis, evaluation of program performance, enhancing field-level interagency cooperation, executive manpower development, and improving the organization and management of government. The centralization of managerial control over programs with OMB led to more effective implementation of presidential policy and brought greater order to the entire executive level of national government.

President Nixon's first step toward initiating program decentralization was the Federal Assistance Review (FAR), a three-year experimental program designed to decentralize administrative procedures in the grants-in-aid program, to place a greater emphasis on the responsibility of state and local governmental units, and to standardize and simplify the grant administration process. Shapek (1981) noted that impact of the FAR was significant, and it resulted in:

- Common regional boundaries nationwide--Those agencies concerned primarily with social and economic programs established uniform boundaries and common locations for their regional offices, resulting in the current ten regions.

- Regional Councils--which represented major federal grant-making agencies in the new regional centers with the goal of improving coordination among federal programs.

- Decentralization--Some federal agencies moved operational authority from Washington, D.C. to their field offices to ensure that decision making was closer to where the services were delivered.

- Delegation of more responsibility to state and local governments for administering federal programs.

-Reduction in the time federal agencies required for processing applications.

-Reduction in red tape and paperwork.

-Consistency in procedures and standard requirements for functions common to several programs.

-Joint funding--Congressional legislation was requested to consolidate programs having similar purposes and recipients in order to offset program fragmentation resulting from the increasing number of narrow-purpose grants.

-Intergovernmental cooperation through arrangements to coordinate requests for federal grants with states and communities to ensure that they were informed of grants which had been approved.

In addition to the FAR, the Nixon administration established a number of other task forces and committees to study the standardization of procedures and regulations applicable to planning.

Another central feature of the new federalism was the development of Federal Regional Councils (FRC's). These councils became an integral part of the Nixon administration's strategy of devolution, i.e. the shifting of responsibility for making operational decisions away from federal agencies to those levels closest to and best able to serve the needs of the American people, and decentralization, i.e. placing the focal point of responsibility for social policy and program allocation decision with decision-makers at the state and local level (within certain limits). The FRC's were strategically located, in close proximity to state and local officials, and theoretically were more familiar with local needs and concerns. The Administration hoped these features plus familiarity with agency grant-in-aid programs, would allow the FRC's to become the linking mechanism between the national government, and state and local governments. Unfortunately, the FRC's have not been viewed as successful because of limitations in organizational constraints and regional factors (Shapek, 1981: 46-49).

Three other critical areas related to the new federalism that received the attention of the Nixon administration were reform of the national grant-in-aid system, executive branch reorganization, and management capacity development. The actions of this administration in the reform of the grant-in-aid system will be discussed in Section III of this paper. In terms of executive branch reorganization, the administration's goal was to strengthen the management control of executive agencies, and develop a series of reorganization proposals designed to provide the executive office with authority to control the bureaucracy. The Nixon administration's plan called for the creation of four generic "super-departments": Natural Resources, Community Development, Human Resources, and Economic Affairs. The three "super-secretaries" would head three of these consolidated departments. These individuals would report to John Erlichman, the President's domestic affairs advisor, however, Treasury Secretary George P. Schultz (the Assistant to the President for Economic Affairs) would monitor their operations and head the fourth department. In the reorganization proposal, Nixon emphasized the need

to unify and coordinate interdepartmental activities and departmental programs within each of the above areas. He noted that the narrowly-defined missions of the existing departments resulted in their becoming advocates of specific interests; that the organizational fragmentation of many departments created a patchwork approach to addressing public needs; that the inefficient federal hierarchy led to confusion among state and local governments as well as among citizens; and that fragmentation made accountability virtually impossible. Although his suggestions were logical and followed recognized principles of organization, Nixon's efforts were greated with little enthusiasm by Congress and received little support from any constituency or within other executive agencies (Shapek, 1981: 91).

During the 1960's and early 1970's, very little attention was given to whether state and local decision makers could handle the management responsibilities for programs initiated under creative federalism, and later new federalism. Over all, management was by crisis, and management activities centered around the use of resources and the conduct of programs with little attention to long-term integrated policy planning and resource mobilization for the future. In addition, for political reasons, state and local officials were reticent to request management assistance or even to identify management needs. Since a high degree of technical and legal knowledge was necessary to successfully navigate the ocean of federal application and compliance procedures, likewise a high degree of management expertise was required to effectively implement programs. In response to this problematic area, federal agencies began channeling some of their programmatic resources into management training and technical assistance. This assistance, unfortunately, tended to be on a program by program basis and was less than systematic. Shapek (1981) illustrates the federal agencies response to this problem area when he states:

> In trying to meet everyone's needs, these programs met almost no one's. In addition, local officials tended to be concerned with specific problems, relegating management to a category of luxury they could not afford, and it was up to the federal government to convince the user governments that better management would lead to the solution of many of the problems identified through needs assessments. (Shapek, 1981: 121)

After the resignation of President Nixon and the transition to the Ford administration, state and local government needs became subordinated to the new administration's efforts to assume the leadership of government. However under the Ford administration and later under the Carter administration, several initiatives were directed at developing the management capacity of all levels of government.

In summary, the new federalism, as formulated by the Nixon administration was a dynamic concept and, as shown above, of a complex interactive nature. It's primary focus was on intergovernmental relations. In essence it emphasized the partnership between the national government, the states, and localities. It involved all levels of government,

recognized the impact of informal interactions of persons and focused on working relationships in a day-to-day context. Finally it involved a complex intermix of financial and political decisions at and among all levels of government and recognized an all-inclusive range of participants.

II. STATE AND LOCAL GOVERNMENTS IN THE SYSTEM OF INTERGOVERNMENTAL RELATIONS

In the preceeding section, the evolution of federalist theory in the United States was briefly traced. The focus of competitive theories of federalism (1787-1913) was on the separation of power and function between the national government, on the one hand, and state government, on the other. In contrast, cooperative theories of federalism (1913-present) have focused on cooperation and collaboration among all units of American government. This later focus has resulted in American federalism being viewed as synomymous with the term intergovenmental relations.

In this section, a brief overview of the problems of state and local governments, relative to the system of intergovernmental relations will be presented. A number of authors have asserted that solutions to the problems experienced by states will most likely require modifications in constitutional, executive, legislative, administrative, and political areas, as well as others. Likewise, the problems experienced by local governmental units are multiple, and may require modification in the state's constitutional and statutory perspectives of these units; the development of strong executive leadership at the local level; the implementation of sound administrative/management practices at the local level; and the development of procedures/policies that encourage citizen participation in local government. Prior to discussion it will be useful to discuss what the concept of intergovernmental relations means, and review the major historical developments within the area of intergovernmental relations.

Intergovernmental Relations: Concept and Background

Wright (1974) has identified five distinctive features of intergovernmental relations. First, all levels and types of government are involved in the intergovernmental system, e.g. from school districts to the federal government. Second, informal interactions of persons (administrators, elected officials, and others) including their beliefs and perceptions, are involved. Third, the focus of this interaction is on working relationships in a day-to-day context. Fourth, the range of participants is all inclusive. Fifth, it consists of a policy component involving a complex intermix of financial and political decisions. Sundquist (1969) has noted that in order for intergovernmental relations to be effective, "...federal-state relationships have to be converted from a legal concept, in which states collectively negotiate in the legislative and administrative process for rights and powers that all of them possess, to an administrative concept, in which the federal government excercises judgement as to how much reliance can be placed upon each state and reaches an individual understanding with that state governing federal-state administrative relationships." (Sundquist, 1969: 271)

Throughout the era of cooperative federalism (1913-present) there occured a continuous expansion of national government programs. Programs developed during this period were in response to national needs and in line with national goals. The enabling legislation of these programs, as well as the rules and regulations promulgated thereunder, however, was developed with little input from representatives of state and local governmental units upon which such legislation and regulation would have a significant impact. It was not until after 1945 that minimal involvement of state and local government representatives received attention at the national level, as evidenced by the numerous study groups and commissions on intergovernmental relations. During the era of creative federalism (1962-1968) the national government undertook a number of initiatives aimed at involving representatives of state and local government units in the development of rules and regulations.[4] Also by this time, many state governments had established offices in Washington, D.C., to help insure that their state's interests were being represented at the federal level. This was also the case for groups representing the interests of local governments. By the end of this era, substantial changes in the system of intergovernmental relations were effected by the Intergovernmental Cooperation Act of 1968.

Throughout the 1960's, the financial pressures on state and local governments continued at full force while they sought to meet the growing demands of their constituents for more and better public services. Inflationary trends compounded these pressures during the last half of the sixties. During this time many state and local governments found that only by raising taxes and/or instituting new ones could they keep abreast of upward spiraling domestic expenditures. By the end of this decade major federal efforts to overhaul the system of federal-state-local relations began. It appeared, at this time, that the nation was ready for "...fundamental reform to provide direct and more effective solutions to the problems of the poor; and to reinvigorate our citizen-oriented federal system." (Nathan, 1969: 10) In fact, at the beginning of the era of new federalism and continuing unto the present, policy considerations at the national level have focused on devolving and decentralizing programmatic and fiscal decision-making and administration. As could be expected, this approach created a new set of problems and challenges for state and local governmental units.

One of the major problems in the system of intergovernmental relations was the burgeoning bureaucracy. By 1971, 78% of governmental civilian employment as a whole was at the state and local government level. In fact, while the number of federal employees had been nearly steady for thirty years, the combined total of state and local government employees had increased three-fold. This fact clearly demonstrates the combined role of state and local activities, given that many of these state and local employees existed only as a result of the federal grants-in-aid in which their state participated (Freeman, 1975).

Because of the complex management infra- and sub-structures required for effective administration of such "federally assisted" state programs, state and local program managers began calling for greater fiscal and programmatic administrative autonomy. During the Nixon administration,

several changes in the pattern of federal funding occured such as the implementation of the first block grants and initiation of revenue sharing programs. Such changes in the structure of federal funding will be discussed in greater detail in Section III.

Problems State Governments Must Resolve With Greater Programmatic and Fiscal Autonomy

Even though the autonomy of state government has increased with respect to fiscal and programmatic decisions since 1968, there are still questions about the ability and capacity of states to effectively administer the fiscal and programmatic resources made available to them. Leach (1970) raised a number of valid questions related to the ability of states in this regard, the most important being:

- Is the pattern of corruption and abuse in both state and local governments, which persisted for many decades, no longer a threat?

- Can states enhace their effectiveness by redrawing their ineffective, narrow constitutions as they slow down the rate at which states can meaningfully adjust to altered circumstances?

- Will states seek to adjust for malapportionment in their legislatures to assure that majority rule does exist?

- Will states seek to strengthen the Governor's position and enhance his authority?

The questions raised by Leach illustrate that there are numerous areas in which reform should be made, at the state level, before states can be in a position to most effectively administer fiscal and programmatic resources necessary to meet the needs of their citizenry.

In order for states to be more than just the administrative instrumentalities of decision-makers at other levels, the Committee for Economic Development (1967) drew up a suggested blueprint for action which consisted of the following six major steps:

1. The need for Constitutional revision stressing the repeal of limitations on constructive legislation and executive action and the elimination of matters more appropriate for legislative and executive action.

2. The need for reconstruction of state legislatures to include no more than one hundred members who serve four-year terms, are paid salaries commensurate with their responsibilities, and are so organized and staffed to make effective policy making possible.

3. The development of the governor as a true chief executive with salary, responsibility, and staff suited to his new functions.

4. Modernization of the state court systems into a single state-side system served by judges appointed for long terms.

5. Structuring of party politics so as to foster two-party competition and active citizen participation.

6. Full exploitation of the possibilities of interstate cooperation in solving problems shared by two or more states.

Thus numerous problems confronting state governments must be resolved so that these governmental units will be in a position to effectively administer available fiscal and programmatic resources. One should not assume that it will be "easy sailing" in the administration of fiscal and programmatic resources with greater autonomy being given to the states.

Problems Local Governmental Units Must Resolve With Greater Programmatic and Fiscal Autonomy

The problems posed by local governments have been viewed as one of the top dozen domestic problems facing the United States, and many of the other major problems which exist are a direct consequence of it (Leach, 1970). As the Committee for Economic Development noted in 1967:

> American institutions of local government are under severe and increasing strain. Well designed, by and large, to meet the simpler needs of earlier times, they are poorly suited to cope with the new problems imposed on (them) by the complex conditions of modern life. Adaptation to change has been so slow, so limited, and so reluctant that the future role - even the continued viability - of these institutions is now in grave doubt. (As cited in Leach, 1970: 133)

Although local units of government perform the basic protective and service needs for their constituents, they have not been able to meet the demand. Their inability to do so results from problems of size as well as administration. For example, very few local government units are large enough to cover a meaningful area, thus they can overlap and compete with each other senselessly. Another problem area is administration and personnel. Coordinating mechanisms that exist between the numerous local units (e.g. village, town, city, etc.) within an area (e.g. township, county) are either weak or nonexistant. Likewise, administrative concepts and procedures utilized by local governments are often antiquated and the personnel systems are often based on politics as opposed to merit. As a whole, the municipal personnel service nationwide is of a lower caliber, generally, than that of the federal or state civil services. There also is a lack of leadership (except possibly in the larger cities) and policy-making and long-range planning are weakened by the almost total lack of provision for strong executive leadership in local government. In fact, multiple and divided executive power tends to be the norm in most units of local governments. Another problem facing local communities is one of popular control. Local politics have long been dominated by political bosses and the power

of special interest groups. Despite the hallowed tradition in America to the contrary, public interest in local affairs never runs high (Leach, 1970). A final problem is that of power. States have not been found to grant power to local governments and, as a result, local governments seldom have sufficient legal authority to cope with urgent community needs. These problems received critical attention in a study conducted by the Advisory Commission on Intergovernmental Relations (1962) which reported the following findings:

1. State constitutions restrict local governments directly by specifying the method governing local powers of the excercised and by defining the extent of that power.

2. State constitutional provisions prevent or make extremely difficult the decrease in numbers of local governments or the increase in their size, either or both of which are necessary to enable them to adjust to change in area demands.

3. State constitutions often prescribe and restrict election of local governing bodies and selection of management personnel.

4. State constitutions frequently make it impossible for local governments to perform the desirable functions for their citizens.

5. Constitutional restrictions on municipal officials and personnel are found in provisions requiring the use of the long-ballot, fixing terms of appointed officials, requiring officials and personnel to be residents of the jurisdiction which employees them, setting local salaries, and prescribing methods of personnel administration.

Summary

Arguments have been summarized stressing the need for reform at federal, state, and local levels in order for all units to be effective partners. The federal government has been cognizant of the myriad problems that face both state and local units of govenment and have undertaken a number of initiatives ranging from study groups on intergovernmental relations and the Intergovernmental Cooperation Act of 1968, to efforts aimed at management capacity building within state and local government units. The question at this time is: Has enough been done to enable state and local units of government to effectively administer the fiscal and programmatic resources available to it so as to meet the needs of the citizen?

III. FEDERAL FUNDING AND THE SYSTEM OF INTERGOVERNMENTAL RELATIONS

In this section the impact of federal funding, specifically grants-in-aid, on the system of intergovernmental relations is discussed. A working definition of grants-in-aid is presented, along with a brief historical overview of the development of this funding mechanism. Although other forms of federal funding exist, none have had the impact on intergovernmental relations as have grants-in-aid. Therefore, concentration on this particular funding mechanism is justified. With the growing dissatisfaction over this funding mechanism during the 1960's came the search for alternative approaches. Two major alternative funding mechanisms, block grants and revenue sharing, have been the subjects of experimentation at the federal level. These approaches are discussed and results of these "experiments" are reviewed.

Grants-In-Aid

Federal funding, available to states and localities through the mechanism of grants-in-aid, has been the single most significant factor in bringing about planned national-state collaboration. The most straight forward definition of a federal grant-in-aid is contained in a 1958 report to the House Committee on Government Operations:

> ...the payment of funds by one level of government to be expended by another level for a specific purpose, usually on a matching basis and in accordance with prescribed standards or requirements. (Cited in Wright, 1968: 15)

There are three key features of federal grants-in-aid. First, grants are annually appropriated, in specified amounts, and fluctuate depending on revenues. Second, grants are almost uniformly conditional, i.e. they set expenditure restrictions for the receiving unit, such as, allocation of the funds to a single program or function, matching requirements, and conformance to a previously approved plan. Third, grants have a built in programmatic bias, i.e. their conditional character orients them to specific purposes or goals[5] (Wright, 1968).

Other forms of federal funding than grants-in-aid exist, e.g. loan funds, payment of funds directly to individuals and private institutions, and shared revenues. In fact, the recent and rapid increase in payments to individuals and non-profit groups has resulted in two new terms being coined, direct federalism and private federalism. Direct federalism refers to extensive use of project-type funding for a precise purpose. Since these funds are paid to individuals and groups because of their specialized skill and expertise, they are not subject to an apportionment formula. Private federalism refers to the use of the private sector and non-governmental business firms to implement public programs.

Although the federal government experimented with grants-in-aid during the late 19th century through the Cooperative State Agricultural Experiment Stations (1887), national expenditures through a system of grants-in-aid did not expand significantly until after the enactment of

a national income tax in 1913. Therefore, our discussion of the role of federal funding will include only the period from 1913 to the present.

As noted in Section I, the enactment of a national income tax in 1913 created an expandable source of revenue at the national level. During the first quarter of the twentieth century, limited use was made of the grants-in-aid mechanism. However, with the advent of the economic crisis of 1929 and the "New Deal," increasing use was made of this mechanism so that major expansion in a few program areas occured during the 1930's. These programs were the first to require substantial federal supervision and the first to impose management conditions upon the grants (Reagan, 1972). After World War II, grants-in-aid underwent a massive proliferation in number, size, and variety. The most important trends in their development since 1946 have been: 1) there has been an increasing tendency for grant-in-aid programs to either "by-pass" state govenrments or involve only their minimal participation; 2) allocation formulas of certain individual grants have recognized differing state fiscal capacities as a device for producing interstate equalization of income; and 3) in new programs, grants have been opened up to voluntary non-profit groups performing a public function, e.g. educational institutions, hospitals, and groups promoting economic opportunity (Wright, 1968). The exact number of grant programs currently in operation depends upon one's definition. However, using the criteria of separate authorizations, the Advisory Committee on Intergovernmental Relations estimated a total of 530 grant-in-aid programs in 1970, of which eighty percent were enacted after 1960; 143 of which were initiated during the first two years of the Nixon administration (Reagan, 1972).

In examining the role of federal grants-in-aid, a good question to begin with is, "Why have federal grants been used so extensively?" The first reason is one of political tradition, i.e. a way to incorporate decentralizated decision-making into the operations of the national government. Second, is the differing tax and economic resources of the federal, state, and local governments - federal grants, because of greater federal fiscal resources, provided for greater resource equalization.[6] Third, localities (especially big cities) went to the national capitol because the President and Congress were more urban oriented and open to the interests of the localities, than were most state legislatures. Fourth, special interest groups, both public and private, were able to maximize their effectiveness and minimize their costs by locating in Washington and directing their influence towards national government officials. Fifth, the ability and willingness of the federal government to engage in deficit spending. In sum, this mechanism transferred more funds between national, state, and local governments, involved more civil servants[7], framed more far-reaching policies, and led to greater administrative interaction than any other single factor in national-state-local governmental operations (Grodzins, 1966).

Federal grants-in-aid have been used for a wide variety of purposes: to stimulate action in an area of national concern where none previously existed; to ease special hardships; to provide for interstate equalization of resources; to demonstrate feasibility of novel approaches to a public problem; and to stimulate planning and coordination, among others. They create major policy consequences for state and local governments because

of their tendency to alter priorities among state and local programs due to the financial inducement to undertake aided programs. In fact, the conditional and functional character of grants tends to encourage independence on the part of state-local administrators, as well as fostering conditions in which federal administrative officials may substantially restrict the scope and action of elected state and local officials (Wright, 1968).

The influence of federal grant programs on the system of intergovernmental relations, at all levels of government, has been significant. It is well documented that, over the last three decades, federal grants have grown more rapidly than state and local revenues and expenditures. By 1968, over one-third of state general expenditures was derived from their participation in federal grant programs. The federal grant-in-aid system, as a result of its pervasive influence, has caused and continues to cause measurable amounts of tension and inefficiency at all levels of government.

Surveys of federal program managers have demonstrated that, as a group, these managers: 1) are insensitive to the complexities and nuances of intergovernmental relations; 2) distrust partisan policy influences; 3) dislike generalist administrators seeking to coordinate grant programs; 4) possess negative attitudes to proposed reforms; and 5) are disinterested in, or ignorant of various aspects of intergovernmental relations. Since Congress relies on these managers for advice about intergovernmental relations, the advice it does receive is heavily biased in the direction of more and larger highly categorized grants. Given this administrative environment, it becomes obvious that a more sensible approach to federal aid decisions needs to be developed (Wright, 1968).

On the other hand, surveys of state and local officials have shown their disfavor over the fiscal and administrative effects of the federal grants-in-aid system. Although generally favoring program expansion, state and local administrators have argued that grants should conform to normal state budgetary and fiscal controls. In addition, these administrators have indicated that they would have allocated federal grant funds differently if "no strings" had been attached.

Block Grants and Revenue Sharing: Searching for Alternatives to the Federal Grants-In-Aid Maze

During the 1960's and 1970's, as a result of problems such as those identified above, the federal government began to experiment with two distinct strategies aimed at improving the federal funding mechanism. The first sought to adopt marginal or incremental adjustments in the current grant system, such as would be achieved through grants consolidation (blocking). The second sought to replace grants with entirely new techniques such as revenue sharing.

Shapek (1981) has provided a summary of the major benefits associated with the block grant approach, undertaken during the late 1960's and early

1970's. First, these grants have reduced paperwork, albeit at the federal level. Second, all levels of government have benefited in the area of capacity building and decentralized decision making. Third, there has been the development of new management and fiscal control systems and great organizational expertise which, hopefully, will assist state and local governments in dealing more effectively with federal counterparts in the future. Fourth, block grants have broadened the flexibility they permit in the recipient's use of funds. Although this learning process has taken time and resulted in costly errors, it should result in better management and an increased sense of community responsibility in the long run. Block grants have been most successful in moving authority for decision-making away from Washington and the federal bureaucracy and back into the hands of the users of the services and programs. At the same time, this approach retained some oversight responsibilities so as to insure that Congressional intent of the authorizing legislation was met. Shapek (1981) has identified five lessons that were learned as a result of the experiment with block grants during the 1970's:

1) Change takes time. Previous recipients of categorical programs included under a block grant require a period of adjustment to assimilate new rules, regulations, and procedures.

2) Organizational changes must preceed procedural changes. Once the organizational machinery is in place, the other changes flow relatively smoothly.

3) The need to develop management capacity at the local level because this has long-term administrative pay-offs in increased local capabilities to administer programs more effectively.

4) The state's positive role in providing guidance and assistance to local recipients avoids friction and reduces antipathy between state and local governments.

5) Valid concerns remain as to whether local level officials can resist the temptation to use their new perogatives for political purposes.

The second approach, revenue sharing, was envisioned as a new technique for improving the intergovernmental funding mechanism. During the early 1960's, the concept of revenue sharing, or unrestricted ("no strings") grants was quietly debated. By 1967-68, the concept began receiving favorable attention at the federal level. In fact, during the 90th Congress over one hundred bills containing over thirty different variations on the theme of revenue sharing were introduced. By the time President Nixon assumed office in 1968, the general concept had been endorsed by the Advisory Committee on Intergovernmental Relations, the National Conference of Governors, the National Conference of Mayors, the National Conference of State Legislatures, and the National Association of Counties. In 1971, the Nixon administration made revenue sharing a major feature of its legislative "do-list."

Revenue sharing held such great appeal for two reasons. First, the matching funds requirements of many categorical grant programs had placed a great strain on poor governments. Second, state and local governments had not been able to plan programs adequately because their vitality depended upon federal aid funds that may be allocated one year, then withheld or reduced the following year. In contrast, revenue sharing was to be based on a permanent appropriation law, at a fixed percentage of the personal income tax base, thereby being a more predictable amount than the existing annual appropriation (Reagan, 1972).

More significant than the economic appeal of revenue sharing was its political appeal. Since state and local administrators perceived the categorical grant-in-aid system as producing an inappropriate federal domination of state-local choices, they envisioned that revenue sharing would effectively counter or reduce this trend because, it was argued, these funds would be provided without administrative and programmatic restricitions. Juster et.al (1977) conducted an indepth assessment of the impact of the General Revenue Sharing legislation and reported the following findings:

1) The principal program beneficiaries of general revenue sharing (GRS) monies were public safety (fire services), transportation (highways), amenities, and environmental control (sewage).

2) Large cities used most of their revenue sharing funds for the maintenance of existing programs and/or tax abatement, while smaller communities used most of their GRS funds for capital outlays.

3) The majority of local officials supported GRS and favored its continuation.

4) Both state and local officials expressed widespread support for changing the allocation formula to provide more funds to poorer communities.

5) GRS has had very little impact on local political processes.

6) GRS has had little or no impact on the process through which local budget decisions are made. Officials reported little difference in their ability to discover community needs, to establish priorities, to make tax decisions, or control expenditures.

7) GRS appears to have had very little formal impact on the structure of intergovenmental relations. Few state or local officials reported changes in tax structures or functional responsibilities as a result of revenue sharing.

8) Citizen participation in revenue sharing decisions was active in large cities, where formal mechanisms for such input existed, but in smaller cities, citizen groups did little more than express an interest in the idea of revenue sharing.

Because the initial assessment of the impact of GRS is still taking place, there remain numerous matters for debate. Three critical issues have been identified. First, how much discretion is to be given to state and local officials. Second, how much program specification should be left in the hands of Congress. Third, how big a price in either corruption, or simply ignorant and ineffective choices on the part of state-local officials is the American public willing to pay for in order to enlarge the decision-making process at the local level (Reagan, 1972).

Summary

The development of the grants-in-aid system was in response to the recognition of national needs which were, in turn, translated into national goals. The primary reason these needs came to be viewed as "national" was the insufficent level of fiscal and programmatic resources available to states and localities to meet the level of need that existed. In addition, once this mechanism of funding became acceptable, special interest groups found that the needs of their constituent groups could be met more effectively and efficiently by focusing their efforts on representatives of the federal government. However, dissatisfaction with the grants-in-aid mechanism at the state and local level, as well as rumblings about "big government," increased in proportion to the number of grant-in-aid programs which emanated from the federal level. In response to the growing dissatisfaction of state and local program administrators with this funding mechanism, the federal government began experimenting with alternative funding mechanisms, specifically block (consolidated) grants and revenue sharing. Although these alternatives resulted in some increase in fiscal and programmatic autonomy at the state and local levels, they have not been the hoped-for panacea. Block grants have become a major plank in the platform of federal fiscal reform under the Reagan administration.

IV. A NEW BEGINNING: CHANGES IN FEDERAL, STATE, AND LOCAL ROLES AND RESPONSIBILITIES UNDER THE REAGAN ADMINISTRATION

The year 1980, aside from beginning a new decade, was an election year. In the months since the election, we have begun to experience a fundamental shift in the federal government's role with respect to domestic problems. In this section, a discussion of the dysfunctional issues in current American federalism is presented. Also, an analysis of the major changes in the system of federal funding and the possible impact of the Reagan administration proposals on federal, state and local responsibilities in the intergovernmental system is presented.

Dysfunctional Federalism

In his inaugural address, President Reagan laid the foundation for federalism in the 1980's when he stated:

> It is my intention to curb the size and influence of the federal establishment and to demand recognition of the distinction between the powers granted to the federal government and those reserved to the states or to the people. All of us need to be reminded that the federal government did not create the states; the states created the federal government. (WCPD, 1981a: 2)

In essence, President Reagan argues that the changes in the federal system which have occured during the past two decades have resulted in a dysfunctional federalist system. Recently, David B. Walker, the Assistant Director of the United States Advisory Commission on Intergovernmental Relations, noted:

> Contemporary intergovernmental relations, then, have become more pervasive, more intrusive, more unmanageable, more ineffective, more costly, and above all, more unaccountable, and chiefly because the expansion of the federal role over the past 15 years. (Walker, 1981: 68)

Walker (1981) argues that the prime symptom of dysfunctional federalism is the tendency to "intergovernmentalize" seemingly everything that becomes a public issue. In an effort to strengthen his argument, Walker identified the following nine signs of dysfunction in the current federal system:

- The old line between private and public concerns has been obliterated;
- The very real distinction between federal and state/local matters of the early sixties has been lost;
- State and local budgets have become evermore fiscally dependent on federal grant revenues;
- State and local programs are involved in intergovernmental fiscal transfers, conditions, and court orders;

-State and local regulatory processes are circumscribed by federal statutory and court sanctioned constraints;

-State and local policies and administrative processes have been effected by the Supreme Court's extraordinary expansion of what is "absorbed" within the orbit of the 14th Amendment.

-Federal grants-in-aid have been "used" to serve national regulatory not promotional, supportive, or additive purposes;

-State and local governments have been "used" to implement wholly national policies; and

-The federal government has been "used" to further what not so long ago would have been a wholly local, or at best, a state concern.

Some of the underlying causes posited for the "dysfunctionalism" in American federalism are: the breakdown of certain fundamental constraints in constitutional, fiscal, and political areas; the rise of special interest groups lobbying efforts at the national level, along with bureaucratic and congressional policy entrepreneurship. Walker (1981) argues that the Supreme Court no longer fulfills its role as the "umpire" of the federal system and can be described more accurately as either a spectator or player, as evidenced by the following: 1) the federal judiciary's passivity regarding Congress' semmingly unbridled right to regulate commerce; 2) the federal judiciary's unwillingness to curb Congress' power to spend for the general welfare, even though some conditions attached to grants in the 1970's have been viewed as coercion or arbitrary intrusion into the administrative procedures of state and local governments; and 3) the activist stance of the Supreme Court in its expansion of the 14th Amendment.

In fiscal terms, the federal government began the period (ca. 1960) with a much stronger revenue system than that of states and localities. This fact, when combined with responsiveness of the income tax to conditions of growth and inflation, the growing acceptance of deficit spending, the separate system of financing social insurance, and the ability within the federal govenment to shift funds from defense to the domestic sector, led to the myth of the federal cornucopia (Walker, 1981: 69).

In the political area, Walker (1981) argues that the major political parties have provided their own cluster of constraints on the expansion of the federal role in the system. He cites seven factors in support of the above assertion:

-Steady decline in the strength of local and territorial interests in governmental and political processes;

-Rapid rise of a host of new types of interest groups based on sociomoralistic (anti-abortion, etc.) and demographic (Black, Hispanic, Indian, Women, Youth and Senior Citizen) causes, along with the traditional economic (business, labor, farmers, and doctors) and programmatic (highways, welfare, public health, etc.) groups;

-Increased efforts on the part of state and local government to lobby Washington, even as their own traditional strength at the

national level was growing weaker--thanks to the growing array of programmatic, socio-moralistic, and demographic groups that usually are alligned against them, and to the growing insensitivity of their legislatures to their jurisdictional worries;

-Steady erosion in the capacity of parties to "absorb" and reconcile all of these interests in national conventions assembled;

-Steady deterioration of the capacity of the political branches of the national government to "pacify" this plethora of pressure groups, especially in a period of ostensibly "democratic" and "open access" congressional "reforms" and of a populist Presidency;

-Steady decline in the voting differences between Democrats and Republicans in the Congress on the federal role and grant-in-aid issues; and

-The slow, but clear change in the manner that Congress handles grant and grant related legislation, from partisan and ideologically dominated, usually executive-branch-initiated, yet geared to reaching a rough consensus process in the 1960's, to a functionally oriented, congressionally dominated co-optive process in the 1970's.

In addition to the major changes noted in the constitutional, fiscal and political areas, Walker (1981) asserts that the dysfunctional traits within contempory American federalism would not have been so pervasive if not for a "no change" philosophy extant at all governmental levels. The following cluster of static attitudes and practices characterizes this philosophy:

-No basic change in the size of the federal bureaucracy and in the Presidential and Congressional desires (regardless of party or ideological persuasion) to keep it relatively small, despite an ever mounting number of assignments given to it;

-No basic change in relying almost exclusively on grants-in-aid as the primary mechanism for carrying out national government's prime domestic servicing responsibilities (except Medicare and the SSI program);

-No basic change in the national government's direct servicing role from that of 1960;

-No basic change in the Congressional and Presidential view that relying on state and local governments and administrators, even for the most "national" of programs is "administratively convenient," cheap, a curb on federal bureaucratic growth, and is politically clever;

-No basic change in the dominance of the old public administration approach to intergovernmental program management that with adequate conditions and sanctions state and local administrators can be rendered properly accountable, hence part of a "chain of command" whose pyramidal peak is in Washington;

-No change in the belief of liberals that with the right formula or the right administrator (depending on the form of the grant) equity and "targeting" can be achieved; and

-No basic change on the part of most state and local officials and their representational groups in Washington that federal aid is a first rate way of alleviating their fiscal pressures and can be had without federal conditions.

The basic question which begs to be answered is, "What has been the impact of these factors on the system of intergovernmental relations?" To quote from Walker:

> ...in combination, these attitudes, along with the political and economic conditions noted earlier, have led to an overloading of the intergovernmental system, with precious little cooperation and a lot of inevitable conflict. Cooperation after all, rests on shared goals and mutual trust, rare commodities in this period of controversial and conflicting program goals, creeping conditionalism, and chronic buck passing. (Walker, 1981: 71)

Another legitimate question that may then be asked is, "How then does this system manage to exist?" It can be argued that the system makes sense in short range, pressure group and political terms; that is it aids officials seeking re-election and conveys an impression of governmental response and of responsiveness (Walker, 1981).

Changes in the Structure of Federal Funding Under the Reagan Administration Proposals

It is against this background that a discussion of changes in the role and responsibilities of federal, state, and local government units can be most profitably undertaken. One issue closely related to these changes is the current economic condition of the United States. In fact, the Reagan administration has placed the blame for the current economic problems America faces on government:

> The most important cause of our economic problems has been the government itself. The federal government, through tax, spending, regulatory, and monetary policies, has sacrificed long-term growth and price stability for ephemeral short-term goals. In particular, excessive government spending and overly accomodative monetary policies have combined to give us a climate of continuing inflation. That inflation itself has helped to sap our prospects for growth. In addition, the growing weight of haphazard and inefficient regulation has weakened our productivity growth. High marginal tax rates on business and

individuals discourage work, innovation, and investment necessary to improve productivity and long-run growth. Finally, the resulting stagnant growth contributes further to inflation and a vicious cycle that can only be broken with a plan that attacks broadly on all fronts. (WCPD, 1981b: 141)

The Reagan administration has developed a national program for economic recovery that consists of four parts:

1) A substantial reduction in the growth of federal expenditures;

2) A significant reduction in federal tax rates;

3) Prudent relief of federal regulatory burden; and

4) A monetary policy on the part of the independent federal reserve system which is consistent with the above politices.

Of the above noted policies, the most significant ones affecting federalism and the system of intergovernmental relations are 1, 2, and 3. In reference to the first policy, the administration's plan asserts that the uncontrolled growth of government spending has been a primary cause of the sustained high rate of inflation the American economy has been experiencing, as well as contributing to the wide spread expectation of persisting high rates of inflation in the future. Two fundamental principles have guided the development of the plan to reduce the growth of government spending:

1) All members of American society, except the truly needy, will be asked to contribute to the program for spending control, and

2) National defense will be strengthened.

The administration believes that their spending reduction plan will shift federal budget priorities so that federal resources are spend for purposes that are truly the responsibility of a national government:

...our budget plans reflect the increased importance attached to national defense, maintain the federal government support for the truly needy, and fulfill our responsibilities for interest payments on the national debt. The spending reductions will restrain federal involvement in areas that are properly left to state and local governments or to the private sector. (WCPD, 1981b: 144)

And further, with regard to the second policy, President Reagan has stated:

No longer will the average American taxpayer be asked to contribute to programs that further narrow private interests rather than the general public interests. In many cases, such services are more appropriately paid for with user charges. By consolidating a variety of categorical grant programs, the resources spent will provide greater benefits because the levels of governments closer to the people, can better recognize their needs than can Washington. (WCPD, 1981b: 146)

As noted in the above quotation, one of the major initiatives of the Reagan administration is in the area of grants consolidation or block grants. (Block grants were discussed briefly in Section III of this paper.) Block grants and deregulation are the two major mechanisms through which the Reagan administration seeks to reduce "big government" and government spending, thereby returning fiscal and programmatic autonomy in domestic programs to states and localities. The block grant proposals set forth by the current administration have resulted in a variety of reactions on the part of state and local government officials, special interest groups, and other interested parties.

Changes in State, Local, and Federal Responsibilities in the System of Intergovernmental Relations: A Prospectus for the 80's

Although the mechanisms of block grants and deregulation are geared toward increasing state and local autonomy in regard to their domestic sector responsibilities, many questions as to exactly how this will occur remain unanswered. In fact, because of the unique character of each state, there are likely to be a multitude of answers. To be sure, the "federal presence" at both the state and local levels will be decreased, and these units of government will have greater fiscal and programmatic flexibility with regard to the federal funding they will receive through the block grants.

At the state level, governors and state legislatures will be chiefly responsible for determining how federal monies, received via the block grants, will be spent. This responsibility will require, at a minimum, consideration of the following:

1) The need for comprehensive and coordinatied statewide planning so that monies are utilized, in an efficient and effective manner, to meet the needs of the people of the state in line with the broad national goals contained in the block grant legislation.

2) The development of administrative and mangement capacity and ability at the state level, so that programmatic and fiscal resources are best used to meet the needs of the state. This includes attention to management information systems.

3) The development of accountability procedures and systems so that states can demonstrate monies received are expended in line with state priorities and in accord with the broad national goals contained in the block grant legislation.

4) The development of mechanisms or procedures for citizen input and participation in decision-making which occurs at the state level.

5) The development of effective strategies for dealing with the many complex issues associated with manpower allocation, resource distribution and utilization, recipient eligibility criteria and determiniation, fiscal allocation, and the management of intergovernmental relations.

6) The development of effective strategies for involvement of the private sector in meeting the needs of the state's citizenry (i.e. the public-private partnership).

At the local level, local governmental units will be chiefly responsible for insuring that the state government's plans for utilization of state and federal monies are consistent with local priorities, problems and needs. This will require local units of government to give serious consideration to:

1) The development of mechanisms and procedures for effective and efficient local planning and resource utilization/sharing. These efforts should be coordinated with other local units within the same bounded area (e.g. region, township, etc.).

2) The development of administrative and management capacity and capability at the local level, so that fiscal and programmatic resources are administered efficiently and effectively.

3) The development of accountability procedures and systems so that local units of government can demonstrate that monies expended are consistent with state priorities and local needs.

4) The development of mechanisms and procedures for citizen input and participation in local-level decision-making.

5) The development of effective strategies for dealing with the many complex issues associated with manpower allocation, resource distribution and utilization, recipient eligibility criteria and determination, fiscal allocation, and the management of intergovernmental relations.

6) The development of effective strategies for involving the private sector in assisting local governmental units in meeting the needs of their citizens.

In addition to these shifts in responsibility which are likely to be required of state and local governmental units as a result of the block grant approach, the effects of 25% (or greater) budget reduction in federal grant monies must be considered. Bruce Babbitt, the Governor of Arizona, argues that as a result of these reductions, block grants are nothing more than "...a tactical weapon to cut the federal budgets while deputizing the governors to hand out the bad news." The immediate effects of the budget reductions may place more pressure on state and local resources which historically have not been sufficient to meet the domestic needs of America's citizens. Governor Laman Alexander of Tennessee, at the annual convention of the National Governors Association in August of 1981, stated:

> We feel, and we believe the American people would feel, that from now on we can't continue to accept more responsibilities without more tax resources or more flexibility without the national government accepting some responsibilities itself. (Star, 1981: 1)

Likewise, Governor George Busbee of Georgia has stated:

> Federalism must be a two-way street. State and local officials are willing to take on greater responsibilities if there is a carefully conceived plan to sort out appropriate roles for each level of government and to balance those with adequate resources. In the absence of such a consensus, further efforts to shift new responsibilities to state and local governments will meet with firm resistance from the states. (Star, 1981: 1)

With the decrease in federal funding available to states and localities to meet the needs of their constituents, these governmental units will need to give serious consideration to:

1) The impact that changes in leadership will have on these units when elected officials are not able to meet the constituents' needs.

2) Whether state and local governmental units will need to raise taxes and/or devise alternative methods of meeting the needs of their constituents.

If the above prospects hold true for state and local governmental units, then there will be significant changes in the role/responsibility of the federal government. The federal government will play its primary role in the areas of defense and national security while its responsibilities in the domestic sector will continue to decrease. Under the Reagan administration, domestic sector responsibilities are likely to include:

1) The provision of technical assistance to states in fiscal, programmatic, and management areas.

2) The development of mechanisms and processes for the transfer of information and technology among all units of government.

3) The establishment of broad national, domestic goals and priorities so that state and local units can operate with a large amount of fiscal and programmatic flexibility.

4) The development of strategies to encourage private sector involvement in meeting domestic sector goals and priorities.

5) Increased reliance on competitive "free-market" forces to control economic factors previously controlled via regulations.

Summary

In sum, the Reagan administration's proposals are likely to have a profound effect on America's domestic sector. Roles and responsibilities in the domestic sector previously taken over by the federal government, through the action of Congress, will be transferred to state and local governmental units who previously held responsibility for domestic sector activities. It is too early to determine if the proposals of the Reagan

administration can achieve what the administration has led the American public to believe. Nonetheless, a challenge has been put forth to all levels of government, as well as the private sector and all United States citizens, to form a partnership so that our form of democratic government can continue to provide opportunity for and foster the productivity of each of its citizens.

EPILOGUE

The development of American federalism over the span of two hundred years has been briefly summarized in this paper. Errors of ommission are acknowleged, however, such errors are typical in most efforts which are synthetic in nature. Nonetheless, a considerable amount of information relative to an understanding of American federalism has been reviewed, and hopefully the reader has gained a better understanding of the dynamic and complex system which underlies the government of the United States. Throughout the paper, the focus has been on government and/or governmental relations with only brief allusions to the most common denominator in the system--the citizen.

The major developments in the federalist system have been in response to concerns over the separation of powers, authority, and responsibility of the national government on the one hand, and state governments on the other. Although such distinction is necessary, and it can be forcefully argued that the federal government is "a creature of the states", the question that has not been considered is, "Who created the states?" The states owe their existence to the actions of their citizenry. It was the action of citizens, singly and collectively, which guided the creation of state and local governmental units. In America, (guided by the foundation principles contained in the Constitution of the United States) states were created to serve their citizens. The role of "service to citizens" must not be minimized.

Earlier in this paper it was stated that the Reagan administration accepted the challenge to strengthen the American system of federalism. The true challenge lies not with this administration, nor with any particular governmental unit. Instead, the challenge is squarely placed on the citizen - of each state and all states. Federal, state and local units of government in the United States are representative forms of government wherein individuals are elected by citizens to represent the will of the people and to promote the "common good." As such, elected representatives are servants of the public and must be held accountable. It remains the responsibility and duty of the citizen to closely monitor the actions of public servants, at all levels of government, so as to insure both accountability and responsiveness to constituent needs. This requires that the citizen be active and informed. In like manner, it is the responsibility and duty of elected officials (the representatives of the citizenry) and their administrative functionaries to inform the public of their actions and actively seek the response of the citizen on issues of the day. Without such an overriding commitment, government will function to subordinate the will of the governed to that of those who govern.

NOTES

[1]The term evolution as used herein does not refer to progressive change but rather to processual change, i.e. an adaptive system that changes in response to external and internal environmental stimuli. Such change generally results in increasing system complexity and greater differentiation/specialization in subsystems which comprise the system.

[2]As a point of interest, the anti-centralist Republican party of Thomas Jefferson grew out of the debate surrounding nation-centered verses state-centered federalism.

[3]The perspective on federalism advanced by these study groups was in opposition to that held by President Eisenhower and his administration who were proponents of governmental decentralization and a clearer separation of the powers and functions of state and national government.

[4]In reality, the record suggests that the involvement of state and local units of government was perfunctory at best.

[5]Recipients of categorical grants-in-aid maintain the view that the conditional character of these grants cause inflexibility.

[6]On this point, Wright (1968) noted that "Available data reveals that states with lower incomes devote a higher percentage of tax revenues and make a greater tax effort to meet federal matching requirements than states with higher incomes. Despite greater efforts and the presence of equalizing formulas in many grants, the overall effect of federal grants is no longer equalizing to any important degree." (Wright, 1968: 7)

[7]Of this fact, Professor Michael Reagan has made the following observation: "When one looks at statistics on public employment and finds a rather small growth in the federal civil service as compared with the state and local figures, the citizen is reassured that the federal octopus has been held in bounds. If he stopped to think about it, however, he would realize that it's not all that restricted a role for countless thousands of state and local officials are de facto on the federal payroll. " (Reagan, 1972, 58)

Section 8. The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States; but all Duties, Imposts and Excises shall be uniform throughout the United States.

To borrow Money on the credit of the United States.

To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes.

To establish an uniform Rule of Naturalization, and uniform Laws on the subject of Bankruptcies throughout the United States.

To coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standard of Weights and Measures.

To provide for the Punishment of counterfeiting the Securities and current Coin of the United States.

To establish Post Offices and post Roads.

To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

To constitute Tribunals inferior to the supreme Court.

To define and punish Piracies and Felonies committed on the high Seas, and Offences against the Law of Nations.

To declare War, grant Letters of Marque and Reprisal, and make Rules concerning Captures on Land and Water.

To raise and support Armies, but no Appropriation of Money to that Use shall be for a longer Term than two Years.

To provide and maintain a Navy.

To make Rules for the Government and Regulation of the land and naval Forces.

To provide for calling forth the Militia to execute the Laws of the Union, suppress Insurrections and repel Invasions.

To provide for organizing, arming and disciplining, the Militia, and for governing such Part of them as may be employed in the Service of the United States, reserving to the States respectively, the Appointment of the Officers, and the Authority of training the Militia according to the discipline prescribed by Congress.

To exercise exclusive Legislation in all Cases whatsoever, over such District (not exceeding ten Miles square) as may, by Cession of particular States, and the Acceptance of Congress, become the Seat of the Government of the United States, and to exercise like Authority over all Places purchased by the Consent of the Legislature of the State in which the Same shall be, for the Erection of Forts, Magazines, Arsenals, dock-Yards, and other needful Buildings;—And

To make all Laws which shall be necessary and proper for carrying into Execution the foregoing Powers, and all other Powers vested by this Constitution in the Government of the United States, or in any Department or Officer thereof.

Section 9. The Migration or Importation of such Persons as any of the States now existing shall think proper to admit, shall not be prohibited by the Congress prior to the Year one thousand eight hundred and eight, but a Tax or duty may be imposed on such Importation, not exceeding ten dollars for each Person.

The Privilege of the Writ of Habeas Corpus shall not be suspended, unless when in Cases of Rebellion or Invasion the public Safety may require it.

No Bill of Attainder or ex post facto Law shall be passed.

No Capitation, or other direct, Tax shall be laid, unless in Proportion to the Census or Enumeration herein before directed to be taken.

No Tax or Duty shall be laid on Articles exported from any State.

No Preference shall be given by any Regulation of Commerce or Revenue to the Ports of one State over those of another: nor shall Vessels bound to, or from, one State, be obliged to enter, clear or pay Duties in another.

No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law; and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time.

No Title of Nobility shall be granted by the United States: And no Person holding any Office of Profit or Trust under them, shall, without the Consent of the Congress, accept of any present, Emolument, Office, or Title, of any kind whatever, from any King, Prince, or foreign State.

Section 10. No State shall enter into any Treaty, Alliance, or Confederation; grant Letters of Marque and Reprisal; coin Money; emit Bills of Credit; make any Thing but gold and silver Coin a Tender in Payment of Debts; pass any Bill of Attainder; ex post facto law, or Law impairing the Obligation of Contracts, or grant any Title of Nobility.

No State shall, without the Consent of the Congress, lay any Imposts or Duties on Imports or Exports, except what may be absolutely necessary for executing it's inspection Laws: and the net Produce of all Duties and Imposts, laid by any State on Imports or Exports, shall be for the Use of the Treasury of the United States; and all such Laws shall be subject to the Revision and Controul of the Congress.

No State shall, without the Consent of Congress, lay any Duty of Tonnage, keep Troops, or Ships of War in time of Peace, enter into any Agreement or Compact with another State, or with a foreign Power, or engage in War, unless actually invaded, or in such imminent Danger as will not admit of delay.

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