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by Solomon Fabricant
New York University

assisted by Robert E. Lipsey

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PREFACE

THE RESOURCES DIVERTED TO GOVERNMENT bulk so large — even apart from the effects of Korea — and government touches so many sides of our economic life that proper understanding of government's activities is imperative. To contribute to this understanding we shall review changes since 1900 in the scope and character of government activities in the United States and ask how these changes have come about.

We set off (Chapter 1) by contrasting the role of government in the economy of 1900 with its role in the economy of 1950. Having posed our problem in this way, we begin the detailed review with a study (Chapter 2) of the changing aggregate volume of resources — labor, capital assets, and purchases of goods and services from private industry — utilized by all governmental bodies in the United States; and pause to compare the input so measured with the usual figures on government expenditures, which include relief, subsidy and other “transfer” payments and exclude the “use value” of government capital assets. Then (Chapter 3) we take note of the input by each type or level of government — federal, state, and local. Shifting our attention from resources used to services performed, we review the functional classification of input (Chapter 4). We then consider (Chapter 5) the factors that may have altered the relation between input and output in government, that is, the trend in the efficiency of government; determine change in government output, as well as we can; and ask how much government output has grown at the expense of private output. Interstate differences in government activity — measured by expenditure and employment of state and local governments —

are next considered and an attempt made to analyze statistically some of the measurable factors determining these differences (Chapter 6). We conclude (Chapter 7) with a summary and analysis of the influences underlying the trend of government activity, set against the background of the general economic development of the United States during the past half-century, and with a glance at the future. The appendices describe and assess the available statistics and the gaps in them; we keep that kind of discussion down to a minimum in the text.

A few other remarks may be directed to the reader. First, our emphasis will be on the trend of government activity and the factors that have caused it. Of course, government is itself a cause of change, and many government activities and policies have far-reaching effects on the economy. These we shall not attempt to evaluate; we deal with only part of the problem of understanding the role of government in economic life. Second, we shall try to be as objective as possible in treating our subject. We trust the reader, too, will make the same effort, for it is a subject on which people have very decided — and divided — opinions. Finally, if the reader has no time for our entire report, he should read the first and last chapters and glance at the charts in the rest of the text.

SOLOMON FABRICANT

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S. F.

CONTENTS

PREFACE	VII
ACKNOWLEDGMENTS	IX
1 GOVERNMENT ACTIVITY IN 1900 AND 1950: A CONTRAST	(3-9)
The Economy of 1900	3
The Economy of 1950	7
2 RESOURCES ABSORBED IN GOVERNMENT ACTIVITY	(10-27)
Number of Government Workers	10
Government in Relation to Total Employment	12
Stock of Government-Owned Capital Goods	14
Capital Goods Compared with Employment	16
Government's Share in the Nation's Stock of Capital Goods	18
Government Purchases from Private Industry	21
Total Resources Put into Government Activity	24
Government Expenditures	26
3 SHARES OF FEDERAL, STATE, AND LOCAL GOVERNMENTS IN RESOURCE INPUT	(28-41)
Distribution of Employment among Types of Govern- ment	28

Varied Impress of Wars and Business Cycles on Govern- ment Employment	30
Capital Assets Held by Each Type of Government	32
Purchases by Type of Government	35
Factors Affecting the Distribution of Input among Types of Government	40
4 FUNCTIONAL CLASSIFICATION OF GOVERNMENT ACTIVITY	(42-83)
Industries in Which Government Operates and Its Share in the Employment Offered by Each	42
Major Functional Classes of Government Input: The Prewar Pattern	45
Kinds of Current Government Activities	47
Distribution of Functions among Types of Government	50
Change in the Functional Distribution of Input	54
Growth of Federal Activities	61
Growth of State Activities	72
Growth of Local Activities	77
Change and Continuity	82
5 PRODUCTIVITY IN GOVERNMENT AND THE OUTPUT OF GOVERNMENT SERVICES	(84-111)
Declining Hours of Work	84
Improvements in Technology	86
Changes in Public Administration	91
Probable Trend in Government's Productivity	98
Increase in Volume of Government Services: Some Indications of the Trend	102
Wider Scope and Variety of Government Services	103
Encroachment on the Private Sphere?	105

6	INTERSTATE DIFFERENCES IN GOVERNMENT ACTIVITY	(112-139)
	Interstate Differences in Per Capita Government Expenditure and Employment	113
	Factors Affecting Interstate Differences in Government Expenditure in 1942	122
	Factors Affecting Interstate Differences in Government Employment in 1942	131
	Bearing of the 1942 Analysis on Changes between 1903 and 1942	134
7	FACTORS AFFECTING THE TREND OF GOVERNMENT ACTIVITY	(140-155)
	Tendencies in 1900	140
	Changes after 1900	141
	Government's Expansion as a Concomitant of Economic Growth	148
	Shape of the Future	153
Appendices		
A	SOURCES OF DATA IN TEXT TABLES AND CHARTS	(159-160)
B	DATA ON GOVERNMENT EMPLOYMENT	(161-203)
	The Two Sources of Information	161
	Census Data	162
	Payroll Data	163
	Comparisons with Other Estimates	167
C	DATA ON GOVERNMENT CAPITAL GOODS	(204-213)
	Sources of Information	204
	Comparisons with Other Estimates	204

D	DATA ON GOVERNMENT PURCHASES, PAYROLLS, TRANSFERS, AND EXPENDITURES	(214-255)
	Definitions	214
	Sources	216
	Deficiencies	217
	Years Covered	220
	Comparisons with Other Estimates	222
	Adjustment for Price Changes	223
	Functional Classification of Government Expendi- tures	224
E	OTHER DATA	(256-263)

Text Tables

1	Employed Government Workers (including Military Personnel) as a Percentage of All Employed Workers, 1900-1949	14
2	Government-Owned Nonmilitary Capital Assets, 1902-1946	15
3	Government-Owned and Total Capital Assets, 1902-1946, excluding Military Assets, Roads and Streets, and Land	19
4	Public and Private Net Investment in Capital Assets, 1902-1946, excluding Military Assets, Roads and Streets, and Land	20
5	Total Government Purchases and Payrolls, 1903-1949	22
6	Growth in Volume of Resources Used by Government, 1900-1949	24
7	Total Government Expenditures, 1903-1949	27
8	Government Workers, Distribution among Main Types of Government Unit, 1900-1949	29
9	Book Values of Capital Assets, Distribution among Main Types of Government Unit, 1902-1946	33
10	Purchases, Distribution among Main Types of Government Unit, 1903-1949	35
11	Relative Importance of Government Purchases and Payrolls, by Type of Government Unit, 1903-1949	38
12	Main Functional Classes of Government Input, just before World War II	44
13	Functional Classification of Government Expenditures, by Type of Expenditure and Government Unit, 1942 (1939 for National Defense)	51
14	Four Decades of Change in the Functional Distribution of Government Expenditures	56
15	Classification of Government Workers by Main Functional Category, 1900, 1940, and 1949	60
16	Change in the Functional Distribution of Federal Government Expenditures, 1900-1949	62
17	Growth of Federal Government Activities, 1897-1939	68
18	Change in the Functional Distribution of State Government Expenditures, 1903-1949	73
19	Change in the Functional Distribution of Local Government Expenditures, 1903-1942	77
20	Change in the Functional Distribution of Municipal Government Expenditures, 1902-1940 (Cities with Populations over 100,000)	78

21	Interstate Differences in State and Local Government Expenditures per Capita, by Function (1903, 1942, and Change between 1903 and 1942); and in State and Local Government Employment per Capita, School and Nonschool (1942)	114
22	Change in the Functional Distribution of Government Expenditures per Capita, 1903-1942, Individual States	118
23	Statistical Relations between Government Expenditures per Capita of the 48 States in 1942 and Their Respective Levels of Income per Capita, Urbanization, and Density	124
24	Elasticity of State and Local Government Expenditures per Capita with Respect to Income per Capita, Urbanization, and Density	125
25	Change in State and Local Government Expenditures per Capita Associated with Certain Changes in Income per Capita, Urbanization, or Density	126
26	Statistical Relations between Government Employment per Capita in the 48 States in 1942 and Their Respective Levels of Income per Capita, Urbanization, and Density	132
27	Elasticity of State and Local Government Employment per Capita with Respect to Income per Capita, Urbanization, and Density	133
28	State and Local Government Expenditures per Capita, Actual 1942 and 1903 Levels, and Estimated 1903 Levels, in 1942 Prices	135

Appendix Tables

B-1	Government Labor Force and Total Labor Force, Census Data, 1870-1950	168
B-2	Government and Total Employment, excluding Emergency Workers, Census Data, 1940-1950	172
B-3	Industrial Distribution of Government and Total Employment, 1940 (Census Data)	174
B-4	Post Office Department Employees, 1896-1949	176
B-5	Armed Forces, 1896-1949	180
B-6	Federal Government, Total Employees and Their Distribution by Major Branches, 1896-1949	182
B-7	Federal Government, Main Functional Distribution of Employees, 1896-1949	186
B-8	State Governments, Nonschool Employees, Total and Full-time Equivalent Number, 1900-1949	188
B-9	Municipal Governments, Nonschool Employees, Total and Full-time Equivalent Number, 1900-1949	190
B-10	Local Governments other than Municipalities, Nonschool Employees, Total and Full-time Equivalent Number, 1900-1949	192
B-11	Schools, Total and Full-time Equivalent Number of Persons Employed by State and Local Governments, 1900-1949	194
B-12	Public Emergency Employment under Work Relief Programs, excluding Administrative Employees, 1933-1943	195
B-13	Total Government Employment, 1900-1949, Full-time Equivalent Number	196
B-14	Total Government Employment, 1900-1949, Full-time and Part-time Number	198
B-15	Functional Classification of Government Workers, by Type of Government Unit, 1940	199
B-16	Functional Classification of Federal Workers, 1896 and 1939	201
B-17	Functional Classification of State Government Nonschool Personnel, New York (1900 and 1940) and Vermont (1900 and 1945)	202
B-18	Functional Classification of Municipal Nonschool Payrolls and Personnel, 1903 and 1940, Cities with Populations of 25,000 or More	203
C-1	Assets of Federal Government Corporations and Credit Agencies, 1917-1946	206

C-2	Government Nonmilitary Capital Assets, excluding Roads and Streets, Annual Estimates	208
C-3	Functional Classification of Government Capital Assets, by Type of Government Unit, 1939	209
C-4	Classification of Federal Nonmilitary Property, by Main Category, 1902-1946	210
C-5	Functional Classification of State Government Capital Assets, excluding Schools and Highways, 1915 and 1931	211
C-6	Functional Classification of County Government Capital Assets, excluding Schools and Roads, 1912	212
C-7	Functional Classification of Municipal Government Capital Assets, excluding Schools, Streets, and Sewage Systems, 1902-1936	213
D-1	Federal Government Expenditures, by Type, 1903-1942	225
D-2	State Government Nonschool Expenditures, by Type, 1903-1942	228
D-3	Local Government Nonschool Expenditures, by Type, 1903-1942	230
D-4	School Expenditures, excluding Higher Education, by Type, 1903-1942	234
D-5	Government Expenditures, by Type, in 1929 Prices, 1903-1942	235
D-6	Adjusted Department of Commerce Estimates of Government Payrolls and Purchases, 1929-1949	238
D-7	Functional Classification of Federal Government Expenditures, 1900-1949	240
D-8	Detailed Functional Classification of Federal Government Expenditures, 1900-1949	242
D-9	Functional Classification of State Government Expenditures, 1903-1949	244
D-10	Functional Classification of Municipal Government Expenditures, 1902-1945, Cities having Populations over 100,000	248
D-11	Expenditures of Local Governments, Classified by Function and by Type of Government, 1903 and 1942	252
D-12	Total Government Expenditures, Classified by Function, Type, and Government Unit, 1942 (1939 for National Defense)	254
E-1	Postal System, Indexes of Output, Employment, Hours, Man-hours, and Output per Employee and per Manhour, 1908-1940	257
E-2	Per Capita State and Local Government Expenditures for Operation, by Function, 1903 and 1942; State and Local Government Employment per 10,000 Population, School and Nonschool, 1942; per Capita Income Payments, Average of 1938-42; Degree of Urbanization and Density of Population, 1900 and 1940: 48 States	258
E-3	Statistical Relations between Government Expenditures per Capita of the 48 States and Their Respective Levels of Urbanization and Density, 1903 and 1942	261
E-4	Weighted and Unweighted Average Levels of State and Local Government Expenditures per Capita in the 48 States, 1903 and 1942, by Function	263

Charts

1	Number of Employed Government Workers (including Military Personnel), 1900-1949	11
2	Government and Total Employment, 1900-1949	13
3	Government Employment, 1900-1949, and Capital Assets, 1902-1946	17
4	Government Outlays on Capital Assets, Other Purchases, and Payrolls, 1903-1949	23
5	Number of Government Workers Employed by Each Main Type of Government Unit, 1900-1949	31
6	Capital Assets Owned by Each Main Type of Government Unit, Book Values, 1902-1946	34
7	Government Outlays on Capital Assets, Other Purchases, and Payrolls, by Level of Government, 1903-1949	37
8	Industrial Distribution of Government and Total Employment, 1940	43
9	Division of Functions among Major Types of Government, just before World War II	55
10	Functional Classification of Federal Government Expenditures, 1900-1949	64
11	Federal Government Workers, Major Functional Categories, 1900-1949	65
12	Federal Government Property, Major Categories, 1902-1946	66
13	Functional Classification of State Government Expenditures, 1903-1949	74
14	Functional Classification of Municipal Government Expenditures, Cities with Populations over 100,000, 1902-1949	79
15	Postal System, Indexes of Output, Employment, Manhours, and Output per Employee and per Manhour, 1908-1940	101
16	States Classified by Total Expenditures on Current Operations per Capita in 1903 and 1942	121

