

This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: The Trend of Government Activity in the United States Since 1900

Volume Author/Editor: Solomon Fabricant, assisted by Robert E. Lipsey

Volume Publisher: NBER

Volume ISBN: 0-87014-055-8

Volume URL: <http://www.nber.org/books/fabr52-1>

Publication Date: 1952

Chapter Title: Front matter, The Trend of Government Activity in the United States since 1900

Chapter Author: Solomon Fabricant, Robert E. Lipsey

Chapter URL: <http://www.nber.org/chapters/c3116>

Chapter pages in book: (p. -22 - 0)

The Trend
of Government Activity
in the United States since 1900

by Solomon Fabricant
New York University

assisted by Robert E. Lipsey

National Bureau of
Economic Research, Inc.

NEW YORK 1952

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Typography by Oscar Leventhal, Inc.

Printing by American Book-Stratford Press, New York

Library of Congress catalog card number: 52-7402

Publications of the
National Bureau of Economic Research, Inc.
Number 56

The Trend of Government Activity in the
United States since 1900

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and revised February 6, 1933 and February 24, 1941)*

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

ACKNOWLEDGMENTS

THIS REPORT, like others in the series, profited from the guidance of a National Bureau staff committee consisting of Thor Hultgren, F. C. Mills and Leo Wolman. Helpful suggestions were made also by Arthur F. Burns, Director of Research; by M. A. Copeland, Lawrence Klein, R. J. Saulnier and George J. Stigler, members of the National Bureau Research Staff; by Frank W. Fetter and Harry W. Laidler, of the Board of Directors of the National Bureau; and by Allen D. Manvel, R. A. Musgrave and George Wharton Pepper.

I am deeply indebted to Robert E. Lipsey for assistance in all phases of the study, including supervision of the checking of the manuscript; to Belle C. Nathan, for valuable help, especially in assembling the material on employment and productivity; and to Arnold Oliphant, Donald J. Kilian and Sylvia Schlachter, for most of the calculations and checking. I owe the excellence of the charts to H. Irving Forman. The difficult task of editing the manuscript was performed by Martha Anderson and Louise Cooper.

The study upon which this volume is based was made possible by funds granted by The Maurice and Laura Falk Foundation of Pittsburgh. The Falk Foundation is not, however, the author, publisher or proprietor of this publication, and is not to be understood as approving or disapproving by virtue of its grant any of the statements made or views expressed therein.

S. F.

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National Bureau of Economic Research,

Fabricant, Solomon, 1906-

2,006,841

The trend of government activity in the United States since 1900, by Solomon Fabricant assisted by Robert E. Lipsey. New York, National Bureau of Economic Research, 1952.

xix, 287 p. diagra., tables. 24 cm. (Publications of the National Bureau of Economic Research, no. 56)

Bibliographical footnotes.

1 U. S. — Pol. & govt. — 20th cent. 2 U. S. — Econ. condit. 1.
Title. (Series: National Bureau of Economic Research. Publications, no. 56)

JK491.F18

***320.073 342.73**

59-7402

MATERIAL SUBMITTED BY PUBLISHER

