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## The Local Roots of Domestic Policy

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## Congress and Local Politics

Members of Congress are inevitably caught in a crossfire of competing expectations. They are national legislators, charged with such exalted goals as furthering the national interest, providing for the common defense, and promoting the general welfare. They are also local representatives, elected by and accountable to narrow geographic constituencies, and held responsible for protecting and advancing myriad local interests. Most policy debates in Congress reflect both forces. They are simultaneously battles between legislators with conflicting conceptions of the national interest, and struggles among the defenders of divergent local interests.

Nowhere is this duality more evident than when Congress decides how to spend the government's nearly one-quarter share of the national output. Spending decisions represent fundamental political choices about the ends government should serve, and legislators debate them with the seriousness such fundamental choices demand, examining not only the propriety of government's pursuing particular ends but also their relative priority, given competing ends and scarce resources. But spending decisions are also choices about means toward various ends, and legislators devote enormous energy to examining these alternative means. Here the question is not only which solution will best contribute to a particular end, but also how various alternatives might affect each legislator's constituency. When spending is on the agenda, so is the question of *where* all those dollars will be spent.

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Congressmen are presumed to have an intense interest in how federal funds are allocated—and in how much flows into their districts. What effect does this quest for local benefits have on the way Congress makes public policy? Does it distort policy choices from the very beginning, forcing Congress to pursue aberrant or inconsistent ends or to adopt inappropriate means? Or do congressmen succeed in separating their wish for a share of the spending from their evaluation of programs and policies? In this chapter I attempt to determine just what imprint the congressional quest for local benefits leaves on national policy.

Congressmen are perfectly capable of putting aside their interest in local benefits and focusing exclusively on a program's national benefits. Examples abound. Sometimes, however, their preoccupation with local benefits becomes so great that it overpowers any serious consideration of a program's more general costs and benefits. What determines whether and, if so, how extensively the quest for local benefits affects the shape of public policy? I argue in this chapter that it depends on (1) the nature of the policy alternatives, (2) how they are presented to Congress for decision, and (3) the composition of the constituency and interest group forces pushing congressmen in various directions. Finally, I explain how the impact of the quest for local benefits has changed during the past two decades and how these changes can be traced to variations in the three factors just mentioned.

**The Quest for Local Benefits.** It is easy to understand why congressmen crave shares of federal spending for their districts. Most communities enjoy having outside money spent in their midst, whether by corporations, universities, or governments, because it stimulates the local economy and generates employment. Granted, not all forms of spending are equally attractive; some impose considerable local costs. Oil refineries, chemical plants, and nuclear reactors, for example, are sometimes unwelcome. Most forms of federal spending, however, are relatively "clean" and do not belong in this class.

Many congressmen would support their communities' claims for shares of federal spending simply because they believe this is what good representatives should do. But this belief hardly explains the intensity of their commitment to procuring local benefits or their willingness to devote so much of their time and resources to this end. Probably the best explanation is that obtaining benefits produces electoral payoffs, or so it is thought.<sup>1</sup> The causal links between local

<sup>1</sup> David R. Mayhew, *Congress: The Electoral Connection* (New Haven: Yale University Press, 1974), pp. 52-61.

benefits and elections are two. First, the direct beneficiaries of federal spending may reward a congressman for his help with their votes, campaign contributions, and organizational support. These last two are particularly likely to come from corporate and union leaders, both because they are in a position to know precisely what a legislator has done for them and because they have the means to show their gratitude lavishly. Second, a skilled congressman can use local benefits to generate favorable publicity for himself, reaching the less attentive public. The expectation is that voters will appreciate his good deeds even if they enjoy no direct benefits themselves.

How does an assembly of legislators, all craving local benefits, make public policy? This question has sparked much debate among those interested in public choice.<sup>2</sup> If acquiring local benefits were their *only* goal, the legislature would surely be in trouble, for the members' interests would be in direct opposition, and intense conflict would almost be inevitable. A majority might divide up the benefits among themselves, denying any to the minority, or an endless succession of majorities might form and dissolve as benefit packages were introduced, overthrown, and replaced. But the reality of congressional politics is more complex. Congressmen are not single-minded seekers of local benefits, struggling feverishly to win every last dollar for their districts. However important the quest for local benefits may be, it is always tempered by other, competing concerns.

**Evaluating Spending Programs.** When congressmen evaluate programs they consider how funds will be distributed among their districts. But what else do they consider? What other attributes of programs affect their judgments? In general, one would expect them to evaluate the costs and benefits. Spending programs provide a whole series of benefits: to the direct beneficiaries, to the bureaucrats, corporations, and workers who help deliver services, to the localities where beneficiaries and service-deliverers reside, and (perhaps) to citizens generally. The same programs also impose costs: on those who pay taxes to support government spending, on those who would be better off without government involvement in certain spheres of activity, and (perhaps) on society at large. Here, for simplicity, I assume that congressmen evaluate three classes of costs and benefits.

<sup>2</sup> James M. Buchanan and Gordon Tullock, *The Calculus of Consent* (Ann Arbor: University of Michigan Press, 1962), pp. 135-145; Brian Barry, *Political Argument* (London: Routledge and Kegan Paul, 1965), pp. 250-256; Morris P. Fiorina, "Legislative Facilitation of Government Growth" (Paper presented at the conference on the causes and consequences of public sector growth, Dorado Beach, Puerto Rico, November 1978).

First, they evaluate a program's *general* costs and benefits. Such benefits include national security, economic growth, increased literacy, improved public health, and other collective goods that people value because they believe everyone profits, including themselves. Although many people value these public ends, they do not necessarily agree on their relative priority, on what costs should be incurred in their pursuit, or even on which are the federal government's responsibility. Congressmen usually divide on these issues. When they divide systematically we speak of their divergent philosophies of government or ideologies.

Second, congressmen evaluate the costs and benefits for *groups*. No matter how well a program serves the national interest, it also affects the interests of readily identifiable groups—teachers, airplane manufacturers, construction workers, oil companies, consultants, bankers, and so on. Some groups receive sizable benefits (as service-providers), others bear disproportionate costs. All have an important stake not only in the ends of government spending but also in the means. With the well-being of such groups dependent on government decisions, congressmen naturally consider *who* benefits (both directly and indirectly) when they evaluate alternative spending programs.

Third, congressmen evaluate the costs and benefits for *localities*. The eventual impact of local benefits on congressional policy making depends crucially on how congressmen evaluate both the general and group costs and benefits associated with particular programs. Local benefits become paramount when congressmen believe that a program would have few general or group benefits, or considerable costs of either type. In contrast, the impact of local benefits is minimal when congressmen value highly a program's general or group benefits.

A few examples make the distinctions clear. Most congressmen support enthusiastically the vast federal programs for medical research. The question of where medical research funds will be spent seldom enters the debate, presumably because congressmen and their constituents value the general benefits that flow from medical advances. Similarly, congressmen support the national park system or national defense, regardless of whether money is spent in their districts. For other programs, such as public works projects, that provide few general benefits, the question of where funds will be spent predominates. Still other programs survive neither on their general benefits nor on their local benefits, but rather on the benefits provided to organized groups. Congressmen vigorously support the veterans' hospital program, whether or not they have hospitals in their districts. The existence of large, well-organized veterans' groups encourages such support and makes unnecessary the strategic alloca-

tion of the hospitals themselves. The general point is clear. The importance of local benefits in congressional consideration of a spending program depends on what other types of benefits the program provides and on how congressmen perceive them.

Organized interest groups have long represented some of the recipients of group benefits. More recently, however, public interest groups championing a wide range of causes with general benefits have proliferated, as have groups with a primary interest in how local benefits are allocated. The latter include organizations of mayors, governors, and county officials, as well as various regional federations that heighten competition between frostbelt and sunbelt. The activities of these three types of groups affect how congressmen evaluate the various benefits associated with a program and, as I will show, affect the importance of local benefits in congressional decision making.

**The Allocational Process.** How deep an imprint the quest for local benefits leaves on public policy also depends on the *process* by which local benefits are allocated. The likelihood that it will be deep is greatest when Congress itself allocates the benefits to localities and does so concurrently with the basic policy choices that shape the program. The likelihood is less when allocational and policy decisions are separated in time or made by different institutions, as when Congress outlines the policy and bureaucrats allocate the benefits.

Congress itself decides when, where, and how allocational decisions are to be made. But its options are limited both by tradition and by the simple fact that no legislature could possibly make all such decisions itself. The options available to Congress are three: congressional allocation on a project basis, allocation by formula, and allocation by delegation of authority to bureaucrats. All three methods are currently used.

In the following sections I examine how Congress handles actual spending programs, searching always for the local roots of national policy. I trace explanations for basic policy choices back to congressmen's local political needs, with variations in their impact accounted for by the combined effects of interest groups, allocational processes, and the relative attractiveness of other programmatic benefits. The analysis is organized according to how allocational decisions are made because these differences in process affect powerfully the way other factors influence policy choice.

A federal system allows the national government to attack problems by two routes. It can design and implement programs completely at the national level, or it can provide state and local governments with financial assistance for specific purposes. Since direct federal

spending and intergovernmental assistance require very different means for allocating local benefits, I examine them separately.

Nowhere do I examine the vast programs of transfer payments to individuals. Some of these involve direct federal spending (social security, Medicare), and some are administered as grant programs (public assistance, Medicaid). I steer clear of these programs because their political logic is fundamentally different. Competition for local benefits does not dominate the stage, for there are no geographically specific benefits to be assigned. The central political questions revolve around the scope of benefits, eligibility criteria, and program administration. As entitlement programs, they provide benefits to individuals without regard to where they are located. Thus, there are no local benefits for which congressmen can claim credit.

### Direct Federal Spending

Allocational decisions for direct federal spending include choices about where federal employees will work, where to build such federal facilities as military installations, office buildings, dams, and laboratories, and where to award procurement and other contracts. Although such decisions can be made either by Congress or by the bureaucracy, it should come as no surprise that Congress has retained for itself the fun of dispensing benefits with exceptional local payoffs and has granted to bureaucrats the task of allocating less valuable commodities.

**Congress and Water Projects.** Nowhere has Congress's hold on allocational decisions endured longer than in the area of federal water projects—the dredging of harbors and taming of streams.<sup>3</sup> If recent battles between Congress and President Carter are any indication, the system is unlikely to change. Federal funding began innocently enough, for there were obvious general benefits in most early water projects. Relatively small investments in the development of harbors and navigable rivers promised (and delivered) dramatic benefits, as decreased transportation costs stimulated foreign and domestic trade and encouraged economic expansion and national growth.

Looking back it is easy to see that the total general benefits of many early projects exceeded their total general costs by a wide margin. This happy result owed much to chance, for the allocational system itself was not designed to measure and compare in any systematic fashion the general costs and benefits of water projects. The

<sup>3</sup> Arthur Maass, *Muddy Waters* (Cambridge: Harvard University Press, 1951); John Ferejohn, *Pork Barrel Politics* (Stanford, Calif.: Stanford University Press, 1974).

system ran on local initiative. The impetus was local benefits. Civic boosters and those with a direct, sizable interest in inexpensive water transportation agitated for federal projects in their localities. Individual congressmen then championed these local projects and worked to obtain congressional approval and funds. Individual projects clearly served the interests of both constituents and representatives. Local advocates prospered because rich Uncle Sam paid all the bills for projects that concentrated local benefits on them, and congressmen could bask in the glory that grateful beneficiaries bestowed upon them. In the beginning, the general benefits usually exceeded costs because most areas proposed relatively simple projects—removing a sand bar here, straightening a channel there—for which small investments could return immense dividends in improved transportation.

Later, when most simple projects had already been undertaken, local advocates proposed ever more complex schemes: moving mountains, connecting rivers that had always chosen separate paths to the sea, and transforming simple streams into major waterways. The logic at the local level was unchanged, for as long as the federal government was paying the tab, the local advantage was clear. The logic at the national level, however, was not as compelling, for the total general costs of many projects exceeded their projected general benefits, at least as calculated by today's accepted methods of cost-benefit analysis.

Why would Congress continue to approve projects of dubious worth? One possibility is that representatives were ignorant of the true costs and benefits. Evaluating the flow of costs and benefits over time is no easy task, particularly since local advocates had every incentive to emphasize the benefits and minimize the costs. Although this explanation may once have been valid, it is less persuasive today when presidents, economists, and others have done everything possible to make the case against projects with little merit. Yet Congress continues to approve them with undiminished enthusiasm.

It is easy to see why. Each project provides both sizable group benefits (to waterway users and to industries favored with lower transportation costs) and abundant local benefits (economic stimuli and employment). These benefits are visible, concentrated, and easily traceable to a congressman's actions, so that voters and group beneficiaries know precisely whom to reward. The costs, on the other hand, are borne by millions of anonymous taxpayers, who have little incentive to organize in opposition because each pays but a few dollars for all water projects. The costs are dispersed among the many, and not easily traceable to actions for which individual congressmen could be blamed. Except in wartime, congressmen have

long been spared having to vote for tax increases, thanks to an elastic tax system and their willingness to accept persistent deficits.

The whole system is glued together with all-inclusive allocational criteria, so that over time practically every congressman can receive a share of the action. Districts for which navigation projects are unsuitable often find happiness with projects that control floods. Only the most arid districts are ineligible for either, and they profit from yet another program, administered by the Bureau of Reclamation, whose goal is to rearrange water supplies and make deserts bloom. When it comes to water, there is truly something for everyone. Allocational decision making is concentrated in the Public Works and Appropriations committees. This perpetuates the policy of inclusiveness. Although there is some evidence that committee members are especially generous with their own districts, their generosity is not boundless, and it deprives others of little.<sup>4</sup> Actually the committees *must* treat others fairly if they seek to maintain those huge congressional majorities that allow them to overpower presidents who occasionally veto public works bills. Since all are included, the system survives and continues to create enormous local political capital for congressmen at surprisingly low political cost.

Congress has long been vigilant in protecting this system from those who are blind to its virtues. In 1877 the House responded to the "excessive economy mindedness" of its own Appropriations Committee by stripping it of any authority over water projects and giving a more sympathetic legislative committee (Rivers and Harbors) the right to handle both authorizations and appropriations.<sup>5</sup> (Jurisdiction over water projects was returned to Appropriations in 1920; the committee has since looked elsewhere for economies.) More recently, since 1936, Congress has required a favorable cost-benefit analysis of all water projects before congressional funding. Although this change may appear fiscally conservative, its implementation suggests the opposite. Congress gave the job of performing the cost-benefit analysis to the same agency, the Army Corps of Engineers, that administers the program—hardly a disinterested party! Furthermore, both Congress and the corps have sanctioned methods that allow creative accounting of benefits, conservative estimates of costs, and a discount rate that pretends (through grandfather clauses) that money can be borrowed as cheaply today as a few decades ago.<sup>6</sup> These deviations from accepted methods of analysis can dramatically affect

<sup>4</sup> Ferejohn, *Pork Barrel Politics*, pp. 129-232.

<sup>5</sup> Richard F. Fenno, Jr., *The Power of the Purse* (Boston: Little, Brown, 1966), pp. 43-44.

<sup>6</sup> Ferejohn, *Pork Barrel Politics*, pp. 42-46.

the results. The corps argues that the \$1.7 billion attempt to connect the Tennessee River to the Gulf of Mexico via Alabama (providing an alternative to the centuries old, natural route down the Mississippi) will yield \$1.20 for every \$1.00 invested. But two economists with no obvious interest at stake estimate a return of only thirty-nine cents on the dollar.<sup>7</sup> The corps's analyses are equally suspect in many other cases. Their value to Congress, however, is to legitimate the illegitimate, and at that they are superb.

National policy on waterways and flood control does not emerge from any debate about how extensive a water transportation system the nation should build or how much we should spend protecting those who chose to settle on known flood plains. Questions about general costs and benefits are seldom raised. Instead policy bubbles up from the bottom. It is principally an amalgamation of what groups and localities request, and thus it serves waterway users and entrepreneurial localities more than the national interest. Although one can imagine good national policy emerging from such a process, in the case of water projects it clearly does not.

Three consequences devolve from this system. First, as I have already argued, the nation invests billions in projects for which the benefits are unlikely to equal the costs. Second, the federal government probably overspends on water projects relative to competing needs for which the political logic is less compelling. Third, although the nation has developed one of the finest water transportation systems in the world, this accomplishment has contributed to the deterioration of its rail system. Taxpaying railroads that must find credit at market rates cannot compete with waterways built and maintained at public expense and for which no taxes are paid—any more than they can compete with federally subsidized highways.

The prospects for reforming the way Congress formulates national policy on waterways development are not encouraging. The system endures because so many congressmen value highly the benefits it produces. When anyone attacks either the system or the projects it selects, congressmen stand united to defend it, as if some fundamental congressional right were threatened. The basic problem is that few individuals see profit for themselves in leading opposing coalitions. Presidents occasionally lash out against it with a veto (cheerily overriden by Congress), but they seldom invest much in sustained battles. No doubt they prefer conserving their political capital and good will for more important issues. (The whole program expends less than \$3 billion annually.) President Carter, who declared war on

<sup>7</sup> Alvin M. Josephy, Jr., "The South's Unstoppable Waterway," *Fortune* (August 27, 1979), p. 81.

some of the most outrageous projects in his first year, is the exception. Although he scored a few hits, the initiative poisoned congressional relations for a considerable period, and it is unlikely that Carter or his successors will try again soon. Within Congress, those opposed to the system are expected to remain quiet. Recently Robert Edgar (Democrat, Pennsylvania) proposed an amendment to delete funding for the Stonewall Jackson dam in neighboring West Virginia. Not only was his amendment shouted down, but the incident prompted a colleague to propose a "Pinocchio Award" for those who could not keep their noses out of other people's business.<sup>8</sup> The system frowns menacingly at those who think federal tax money wasted in other districts is of common concern.

The allocation of rivers and harbors projects is not typical. The closest parallel is the companion program, administered by the Bureau of Reclamation, that spends just under a billion dollars annually creating water supply systems for the arid West.<sup>9</sup> But precisely because they are an extreme case, these water programs make very clear the consequences of certain forces. First, these programs provide sizable, concentrated benefits to both groups and localities, but little in the way of general benefits. Naturally, the direct beneficiaries, who have much at stake, fight diligently for their cause. Second, most of the costs are diffuse and general; few are local or specific to any group, and no individual suffers much. As a result, those who suffer are not highly motivated to mobilize opposition. (Railroads have endured substantial costs, but they have not resisted very effectively.) Third, the underlying patterns of costs and benefits, and particularly the concentration of local benefits and scarcity of local costs, stimulate congressmen to champion projects for their districts. Congress has naturally retained control of such programs because they offer such immense opportunities for taking credit and so few for receiving blame.

**Bureaucrats and Direct Federal Spending.** Congress has shared with bureaucrats authority over most other direct federal spending. Actually it had little choice. It would be inconceivable for Congress itself to make the thousands of allocational decisions associated with spending a few hundred billion dollars annually. Exactly how authority is shared varies widely, again depending crucially on the composition of general, group, and local costs and benefits. Of course, by granting bureaucrats the authority to make certain decisions, Congress does not

<sup>8</sup> Charles M. Tidmarch, "A Brief Excursion in the Land of Pork" (unpublished paper, Union College, 1979), p. 7.

<sup>9</sup> This and subsequent budgetary estimates refer to the 1980 budget.

necessarily lose the ability to shape them. As long as Congress retains control over funds, it can manipulate those dependent on them.

*Research and development.* Representative of those programs in which local benefits play a relatively minor role are the vast federal programs for research and development. Concentrated in the National Aeronautics and Space Administration (NASA) and the Departments of Defense, Energy, Education, and Health and Human Services, these programs disburse over \$30 billion annually to universities, private companies, federal laboratories, and other research facilities. These programs remain relatively detached from the mad scramble for local benefits because they provide (or promise) general benefits for which there is widespread political support. Few doubt the wisdom of medical, energy, or defense oriented research, even where conflict abounds over priorities within these classes. Given this consensus on general benefits, careful allocation of local benefits is not crucial to the survival of a program. Furthermore, any tendency Congress may have to meddle when bureaucrats allocate benefits is minimized when the issues at stake are highly complex and the responsible bureaucrats are technical specialists.

The impulse to meddle is probably greatest when the government builds completely new research facilities, as opposed to distributing grants and contracts to universities or corporations that are already fixed geographically. For most new facilities, one can argue that the eventual quality of their research is independent of their location, whereas that argument is easily dismissed when allocations are made among existing units that already differ enormously in quality and capabilities. Bureaucratic decisions about the location of new federal facilities are made infrequently and on a case-by-case basis. But when the facilities are large and their future economic impact great, congressional appetites are easily whetted. It is difficult to generalize about how congressional politics affects such decisions because they are made singly, and only one locality can win each contest. Still, there is evidence to support three generalizations. First, Congress unites quickly around the idea that new federal facilities belong anywhere but Washington, D.C. Placing such investments in an area lacking congressional representation is, from the legislators' perspective, a terrible waste. Congress has occasionally enforced this preference with legislation.<sup>10</sup> Second, regional battles sometimes develop where legislators pressure bureaucrats to favor their region, even if they are divided over the optimal location within that region. Mid-

<sup>10</sup> Thomas P. Murphy, *Science, Geopolitics, and Federal Spending* (Lexington, Mass.: Heath Lexington Books, 1971), pp. 265-289.

western congressmen, for example, mounted a (successful) regional campaign for the world's largest proton accelerator, arguing that money for high energy physics was concentrated disproportionately in the Northeast and Far West, to the economic detriment of the Midwest.<sup>11</sup> Third, committee chairmen and other powerful congressional leaders enjoy an advantage when bureaucrats who administer programs under their jurisdiction build new facilities. The NASA facilities built in the 1960s are classic examples—particularly the Manned Spacecraft Center in Houston, home of Albert Thomas, chairman of the subcommittee that appropriates all NASA funds.<sup>12</sup> Although politics clearly affects the allocation of some research funds, the quest for local benefits does not really distort national research priorities. These research programs survive on their general benefits; whatever competition may emerge over local benefits is nothing more than a side game, perhaps with important local economic consequences, but without significant effects on national policy.

Politics leaves an even smaller imprint on research programs that distribute grants and contracts. Here allocational politics is constrained by the existing distribution of suitable research-oriented universities and corporations. It is practically impossible for bureaucrats to spread research funds widely when most of these institutions are clustered. Nevertheless, congressmen are sensitive to inequitable distributions of research funds, whatever the cause, and they have occasionally encouraged bureaucrats to strive for greater equity. One bureaucratic response is to provide technical assistance to help institutions from deprived areas compete more effectively. In any event, these research programs do not appear to have been compromised or distorted by allocational politics. They too survive because of support for their general benefits.

*Procurement contracts.* The federal government purchases not only ideas but also a tremendous variety of goods, ranging from submarines, missiles, and tanks to desks, hospital equipment, and food. The classic American urban political machine used the strategic purchase of goods and services to maintain its power. Do such purchases play a similar role in American national politics, helping to create and maintain majority coalitions in Congress? In most cases, they do not. The purchases are viewed as the incidental consequences of government programs which themselves serve important ends. Although congressmen enjoy having government purchases made in their

<sup>11</sup> *Ibid.*, pp. 291-326; Theodore J. Lowi and Benjamin Ginsberg, *Poliscide* (New York: Macmillan, 1976), pp. 87-107.

<sup>12</sup> Murphy, *Science, Geopolitics, and Federal Spending*, pp. 210-218.

districts and are eager to claim credit for whatever procurement contracts come their way, these local benefits seldom create support for a program that otherwise might falter.

Sometimes local benefits do permit programs to survive longer than their general or group benefits would justify. This happens frequently for very large defense contracts that have been the lifeblood of local economies. When termination is proposed, the affected congressmen mobilize to keep the assembly lines open. They usually couch their arguments in terms of general benefits, emphasizing how desperately our arsenal needs additional X-weapons; but the local benefits are their incentive. The Texas congressional delegation, for example, kept the Fort Worth plant of General Dynamics open and producing F-111s for four years after the Defense Department requested termination.<sup>13</sup> Similarly, Senators Jackson and Magnuson (Democrats, Washington) helped sustain for a few years massive federal support for the development of Boeing's supersonic transport, long after its economic and environmental problems had weakened the coalition that had favored it. Such feats are easiest when contractors have had the foresight to spread subcontracts throughout the country, giving many congressmen a vital interest in continuance. The fine art of placing subcontracts for future political use is a skill that few major defense contractors could do without.<sup>14</sup>

Congressmen's efforts to keep local procurement benefits flowing into their districts can severely distort national policy. If successful, they can waste federal money by, for example, compelling the continued production of obsolete or unneeded weapons. This happens infrequently, and principally when large defense contracts with enormous economic consequences are on the line. Yet these are precisely the situations that impose the greatest financial and opportunity costs. Thus, the effects of the quest for local benefits on national policy can be significant when very large procurement contracts are at stake.

*Facilities and employment.* The federal government directly employs nearly 5 million military and civilian personnel. Where these people work is of considerable interest to congressmen, in part because the government's \$80 billion payroll affects some local economies so deeply. Administrative agencies have the right, within limits, to

<sup>13</sup> Peter Ognibene, "Grounding the Texas Air Force," *New York Times* (May 10, 1975), p. 29.

<sup>14</sup> Craig Liske and Barry Rundquist, *The Politics of Weapons Procurement: The Role of Congress*, Monograph Series in World Affairs, vol. 12, no. 1 (Denver: The Social Science Foundation and Graduate School of International Studies, University of Denver, 1974), p. 82.

determine where their employees will work. The principal limitation is the need for adequate facilities—office buildings, military installations, and so on. Agencies help decide where these federal facilities will be constructed, but Congress has retained the right to approve individual project decisions. The seriousness with which Congress accepts this task is illustrated by its decision to have two appropriations subcommittees examine the defense budget. One scrutinizes the \$2 billion or so proposed for new military construction, while the other scans the \$120 billion destined for all other military purposes.

Congressmen can easily rationalize extensive involvement in decisions about where new facilities will be built, and hence where federal employees will work, because such decisions are easily divorced from the question of what those workers will do. Processing tax returns, writing social security checks, drawing maps, distributing consumer information, drafting environmental regulations, reviewing contract compliance, storing ammunition, issuing licenses, testing automobile emissions, and maintaining historical archives are activities that can be performed almost anywhere. Governmental effectiveness and efficiency are relatively independent of location for a wide range of government activities such as these. Lacking good, program-related reasons for locating federal facilities in any particular place, congressmen are only too happy to volunteer their districts. These facilities are especially desirable because, unlike procurement contracts, they generally represent long-term commitments of federal funds.

Exactly how influential congressmen are in the allocation of new facilities is not the principal question here. Elsewhere I have shown that members of the House Armed Services Committee had a slight edge over others in attracting new military installations to their districts during the 1950s; and members of other committees probably have similar advantages, though there are no empirical studies to confirm the anecdotal evidence.<sup>15</sup> Here the question is whether this form of competition for local benefits affects the shape of national policy significantly. In most cases it does not. The question of where a few thousand office workers will be located is usually secondary to the issue of exactly what they will do; it is difficult to imagine Congress enacting many programs just because a few lucky congressmen could see new administrative headquarters in their districts. Similarly, proposals in the 1950s to expand the air force appear to have been considered on their merits, unencumbered by congressional jockeying for new bases. Although the competition for these local benefits is

<sup>15</sup> R. Douglas Arnold, *Congress and the Bureaucracy: A Theory of Influence* (New Haven: Yale University Press, 1979), pp. 115-119.

frequently intense, it ordinarily comes after basic policy decisions are made.

Two situations arise that can distort national policy choices. First, agencies sometimes build facilities in areas where there is little objective need but great political merit. Shortly after F. Edward Hébert (Democrat, Louisiana) became chairman of the House Armed Services Committee, the navy suddenly decided that his hometown, New Orleans, was a good place to move various naval headquarters and build a new hospital. Although the transfers became unnecessary after Hébert lost his chairmanship a few years later, it was too late to stop the hospital. New Orleans now boasts one of the newest, finest, most underused hospitals in the nation (12 percent occupancy rate).<sup>16</sup> Admittedly these cases occur infrequently. The inefficiencies, however, are unquestioned. Second, after federal facilities are built, both congressmen and their constituents quickly become accustomed to regular flows of funds. They work strenuously to maintain these local benefits whenever they are threatened either by termination or by a relocation of facilities. For two decades, congressmen have resisted the Pentagon's efforts to close military installations in their districts. Although the Pentagon has succeeded in closing hundreds of installations, congressmen on important committees have helped spare their districts this agony.<sup>17</sup> The consequences of such favoritism are minimal (except for the local communities) if the installations spared are at least as good as the condemned ones. When they are inferior, the costs incurred in upgrading them can be substantial.

### Intergovernmental Grants

The world of grants to state and local governments is considerably different from that of direct federal spending. If anything, it resembles the politics of water projects more closely than it does the politics of research, procurement, employment, or facilities. Local benefits abound, and they frequently overshadow whatever general benefits there may be.

For most programs of direct federal spending, congressmen can separate questions of purpose from questions of location. They can (and do) debate issues related to national defense, medical research, care of veterans, space exploration, and geological surveys without first knowing where money will be spent. Furthermore, their voting decisions on such matters do not depend on whether (or how much)

<sup>16</sup> *Congressional Quarterly, Weekly Report* (May 6, 1978), p. 1112.

<sup>17</sup> Arnold, *Congress and the Bureaucracy*, pp. 107-115.

money is spent in their own districts.<sup>18</sup> For programs giving assistance to state and local governments, by contrast, congressmen seldom distinguish between location and purpose. The issue of location dominates debate, and it dominates legislators' voting decisions (as I shall demonstrate). Few congressmen see merit in grant programs that do not benefit their districts, and few fail to see a program's virtues when it includes "fair shares" for all.

Programs that call for direct federal spending usually attack the broader problems of society and provide substantial general and group benefits. Local benefits are merely an incidental consequence of the means adopted to achieve these ends. Districts that lack shares of local spending still profit from the collective goods provided. Inter-governmental grant programs, on the other hand, often attack problems of narrower scope. However much we may think of education, housing, highways, and poverty as national problems worthy of national solutions, their primary impact is local and their spillover effects (by comparison) few. Ameliorating educational problems in a single district, for example, provides relatively little of value for the remaining 434.

The abundance of local benefits and the scarcity of general benefits make the politics of grant programs revolve around the local benefits to be allocated. Careful allocation is crucial to congressional support. Congress can choose to allocate benefits itself, or it can delegate the task to agencies, usually with some type of instruction and always with congressional oversight. Congress is ill-equipped to allocate grants individually, project-by-project, as it does for water projects. The volume is simply too great. Instead, it writes formulas, based on objective criteria such as population, income, and unemployment, that determine exactly how much each eligible area will receive. Agencies, with their hierarchical organizations and elaborate divisions of labor, are well suited to making individual project decisions. Most agencies that are given authority to allocate benefits do so with project decisions, though occasionally they devise formulas. Essentially, then, the choice is between allocation by congressional formula and allocation by project with bureaucrats making the selections. Each approach allows for careful, strategic allocations of benefits. The actual patterns of decisions, however, differ fundamentally, and so does the impact of local benefits on the shape of national policy.

Until recently all grants were categorical, providing states and localities with funds for specific, narrowly defined purposes such as

<sup>18</sup> Wayne Moyer, "House Voting on Defense: An Ideological Explanation," in Bruce M. Russett and Alfred Stepan, eds., *Military Force and American Society* (New York: Harper and Row, 1973), pp. 106-141.



preventing alcoholism, educating the handicapped, protecting hunters, controlling rats, building highways, or providing breakfasts for school children. In the last decade, a handful of general-purpose and broad-based grants have emerged that distribute funds for broadly defined functions such as employment and training, community development, and local public works. Here recipients are free to determine specific purposes. The distinction between categorical and broad-based grants is crucial, for the former also provide benefits to organized interest groups, along with the obvious local benefits, whereas the latter provide local benefits exclusively. The existence of group benefits has made allocational politics for categorical programs more restrained than it has been for the broad-based programs.

In fiscal year 1980 intergovernmental grant programs distributed \$83 billion to state and local governments in approximately 500 separate programs. About one-fifth of the funds were distributed by a half-dozen or so new broad-based (formula) programs. The rest were categorical grants. Among these, project grants outnumbered formula grants (67 percent versus 33 percent), but the formula grants were far larger and distributed more funds (69 percent versus 31 percent).<sup>19</sup>

Twelve grant programs provided benefits directed at individuals, through programs administered by state and local governments. These welfare-type programs included public assistance, Medicaid, and payments for children's nutrition, and accounted for one-third of all expenditures. The political logic of these programs resembles the politics of transfer payments to individuals more closely than it does the politics of intergovernmental grants. Throughout this chapter I treat them as benefits to individuals rather than grants to state and local governments, following their political logic rather than their accounting definitions.<sup>20</sup>

**Old Formula Programs.** Categorical programs meet specific demands for governmental services. Originally these demands may be articulated by users of services (motorists, say), by service-providers (highway contractors), or by legislators who are sensitive to citizens' latent needs. Whatever their origins, the demands usually center on particular solutions (more money for better roads) rather than open-ended requests for assistance in solving general problems

<sup>19</sup> Advisory Commission on Intergovernmental Relations, *Categorical Grants: Their Role and Design* (Washington, D.C.: Government Printing Office, 1978), p. 92.

<sup>20</sup> This is the current practice in the government's own *Special Analyses of the United States Budget, 1980*. These programs are listed at pp. 235-242.

(do something to improve transportation). Once established, few grant programs ever die, for they provide not only local benefits to congressmen, but also valuable group benefits to service-users and service-providers, many of whom organize to protect their interests. Over time, grant programs proliferate, as additional ones are created to fund new solutions to recurrent problems.

Congress decides whether new categorical programs will allocate local benefits by formula or on a project-by-project basis. Generalizing about those choices is not easy, for Congress displays the typical inconsistencies of a large, decentralized body. In the beginning, formula programs were in vogue. The first major assistance program, the Federal Aid Road Act of 1916, employed a formula, as did the Smith-Hughes Act of 1917, which subsidized salaries for teachers of industry, trade, and home economics. In general, formulas were preferred when states were the recipients, when most recipients were already performing the designated functions, and when all eligible areas were to receive shares of benefits. Project grants emerged repeatedly during the depression, when the necessity of concentrating funds in the most desperate areas was apparent. During the 1960s when grant programs multiplied most rapidly, newly established project grants outnumbered new formula programs four to one. Project grants are preferred especially when the recipients are local rather than state governments, when the federal government seeks to stimulate new activities or prompt the development of new solutions to old problems, and when the aim is to distribute funds selectively among eligible areas.

Allocational formulas are inclusive: all eligible areas receive shares of benefits. Exactly how much each receives depends on how it "scores" on the various objective criteria chosen. There are three approaches to the construction of formulas. One, the "merit" approach, uses criteria that represent important differences in recipients' needs, capabilities, fiscal capacities, or accomplishments. Such formulas rest on the notion that the federal government ought to help equalize disparities among recipients, or reward them according to their own efforts to tackle problems, or somehow help compensate for their differing needs and capabilities. The second, the political approach, involves criteria that produce politically pleasing allocations and thus help a program win congressional support. The third, the group approach, makes geographic allocations consistent with the needs of the interest groups that benefit from a program and that provide its core of support. The three approaches build upon the distinctions I have been emphasizing between general, local, and group benefits.

Actual formulas do not always reveal their connections to these three approaches as clearly as one might hope. Nevertheless, one can infer something about the intentions of their designers simply by inspecting the 140 or so formulas now in use.<sup>21</sup> This is what I have done. My most striking discovery is how infrequently formulas are constructed around merit criteria. One justification for federal assistance is to help poorer states provide services that richer states provide without outside assistance, yet only one-seventh of all formulas explicitly include factors that steer funds to less fortunate areas. As recently as 1975, it was the highest-income states that received the most grants per capita (from all sources).<sup>22</sup> Redistribution sometimes occurs, but not always toward the needy.

Similarly, one expects to find formulas which reflect the fact that most programs' potential beneficiaries are not distributed uniformly throughout the population. In actuality, many programs ignore legitimate differences in demand. The program whose purpose is to make railroad crossings safer hands out funds under a formula that counts population, area, and postal-route mileage but not railroad crossings. Law enforcement grants reflect population, not the incidence of crime. Hunter safety grants ignore the concentration of hunters in rural areas. Urban mass transit grants reflect urban population and density, but not how many people actually use mass transit. New York, a city built around mass transit, receives a subsidy of two cents per transit passenger, while Grand Rapids, a product of the automobile, reaps forty-five cents per passenger.<sup>23</sup>

Many programs do include formulas that reflect differences in the demand for services. Grants for various types of special education, for example, take account of the number of children from poor, migratory, or disadvantaged families, or the number of pre-school or college-age youth. Similarly, social welfare programs in-

<sup>21</sup> The programs are those listed in Advisory Commission on Intergovernmental Relations, *Categorical Grants*, pp. 128-137. Formulas are contained in U.S. Congress, House, Committee on Post Office and Civil Service, Subcommittee on Census and Population, *Federal Formula Grant-in-Aid Programs that Use Population as a Factor in Allocating Funds*, Committee Print, 94th Congress, 1st session, October 24, 1975; and Office of Management and Budget, *Catalog of Federal Domestic Assistance* (Washington, D.C.: Government Printing Office, 1979).

<sup>22</sup> Sophie R. Dales, "Federal Grants to State and Local Governments, Fiscal Year 1975: A Quarter-Century Review," *Social Security Bulletin* 39 (September 1976), p. 31, as quoted in Advisory Commission on Intergovernmental Relations, *Categorical Grants*, p. 39.

<sup>23</sup> William C. Freund, "Can Quotas, Tariffs, and Subsidies Save the Northeast?" in George Sternlieb and James W. Hughes, eds., *Revitalizing the Northeast* (New Brunswick: Center for Urban Policy Research, 1978), p. 204.

clude criteria related to poverty, concentration of elderly individuals, and the like. Even so, such criteria frequently play only a small role in actual allocational decisions. Grants for drug abuse treatment, for example, allocate but a third of the available funds according to the incidence of chronic drug abuse, with the rest according to population and other factors.<sup>24</sup>

Why does Congress design only some formula programs to reflect differences in demand? A complete answer awaits more careful research. After spending a few days immersed in some 140 formulas, however, I can offer at least the strong suspicion that programs tend to be closely tailored to demand when either the service-users or the service-providers are well organized. Teachers and social workers, for example, have long been organized and active in policy formulation. They have an obvious interest in the appropriate allocation of group benefits, and they are unwilling to consign allocational decisions completely to congressmen who, left to their own devices, might be blinded by the need to win local benefits. Drug users, mass transit riders, and the victims of either train accidents or crime are unorganized and thus ineffectual in the allocation game. Their interests are easily overlooked by congressmen eager to guarantee their districts generous shares.

Most formula building is not a clash between rival claimants calculating how to capture all of a limited stock of benefits for themselves. Rather it is a politics of accommodation; the central debate is over what constitutes an equitable allocation of benefits. Members of the House see equity in terms of population. What could be more equitable, in their view, than equal shares for districts that are approximately equal in population? Senators prefer thinking about the fundamental equality of states. Those from Alaska, Vermont, and Wyoming are unpersuaded that New York and California deserve fifty or sixty times as much assistance as their great states.

How can these divergent views of equity be reconciled? Conference committees have a favorite solution. They accept the House notion that population should be an important component in any formula. But then they add both a minimum allocation for each state, which gives the least populous states far more than their entitlements, and a maximum allocation, which denies the most populous states their "fair" shares. Population is actually the most common factor in allocational formulas, figuring in about 60 percent of them. Minimums appear in nearly half, and maximums in about one-eighth.

<sup>24</sup> Committee on Post Office and Civil Service, *Federal Formula Grant-in-Aid Programs*, p. 123.

The ceilings usually affect only the largest two or three states and thus do little to diminish House majorities. The floors, which benefit perhaps a dozen small states, contribute generously to Senate majorities. These simple maneuvers, though difficult to defend on policy grounds, consistently yield large, stable congressional majorities.

Allocational formulas, then, combine elements from the merit, group, and political approaches. But how deep an imprint does politics leave on these policies? Its principal effect is to discourage Congress from designing formulas that reflect vast differences either in the demand for services or in the capacity of governments to tackle them alone. Small deviations are possible, but the need for political equity precludes anything major. A secondary effect is that small states benefit disproportionately, a consequence of their equal representation in the Senate.

The politics of formula building for most categorical programs has not (yet) degenerated into the game that has become standard for broad-based grants: congressmen consider an endless series of formulas and each chooses the one that provides a few more pennies for his district. First, the information required for this kind of haggling has not been available (until recently). Evaluating increasingly complex formulas requires computers to calculate exactly how each legislator's district will fare under a given plan. More important, the organized interests that benefit disproportionately from narrow categorical programs tend to seek an equitable distribution among their members and are unlikely to enjoy, as congressmen do, endless jockeying for local advantage.

**Project Grants.** Formula programs embrace all-inclusive criteria from the start; congressional politics then dictates that liberal doses of "equity" be added. The philosophy behind project grants, by contrast, allows that not all eligible areas need receive shares, and these shares need not be equal. But here, too, congressional politics leaves its imprint, introducing more inclusive criteria and notions of political equity where none were intended.

The point of project grants is that, unlike formula grants, they can be molded to fit the recipients' peculiar problems, they can be used to encourage policy innovation, and they can easily be targeted to the areas of greatest need. They are particularly valuable for research and demonstration programs, for which formula grants are cumbersome. Although project grants have been used for dozens of purposes, their most prominent uses have been in urban and community development, economic and regional development, health, education, and all forms of public works construction. Well-known

programs include urban renewal, model cities, Appalachian development, area redevelopment, and water and sewer construction.

In the abstract, the philosophy of project grants may be attractive. Unfortunately, their most distinctive features create instant congressional problems. Targeting benefits implies that not all legislators will receive local benefits. If the criteria for targeting are known, excluded congressmen will quickly discover their fate and, lacking compelling reasons to the contrary, will oppose the whole program. If the criteria are nebulous, the general uncertainty may produce even more opposition, with everyone assuming the worst. The more congressmen expect allocations to diverge from standards of political equity, the more substantial the opposition is likely to be. A related problem is that the allocation of benefits is separated from the enactment of programs in both time and space. Enactment is a congressional function, while allocation takes place months (perhaps years) later in administrative agencies, after state and local governments have submitted detailed proposals. Thus, congressmen can only imagine what a program might some day deliver; they derive no guaranteed local benefits from their support.

These problems can be overcome and coalitions assembled in two fundamentally different ways. First, disparate programs can be gathered together so that congressmen will evaluate and vote on the package as a whole. The objective is for congressmen to see benefits for their districts in at least some programs, and thus decide to support the entire package. Education bills typically include programs benefiting every educational and geographic interest, and they do very well indeed. A variant of this approach is for blocs of congressmen to agree to support each other's favorite programs, even though the various programs are considered in different bills and at different times. The logic is identical, but policing the agreements is more difficult. The Democratic party once provided an umbrella coalition for blocs of urban and rural congressmen who supported programs benefiting each other. This coalition, however, has little force today.

The alternative approach to coalition building is for congressmen to shape the allocational process to their liking. Bureaucrats will still make the final decisions, but Congress can limit their discretion. One tactic is to broaden a program's eligibility criteria so that more localities may apply for grants. Urban programs frequently are redesigned so that even tiny hamlets will be eligible—and congressmen from rural areas will find them attractive. A second tactic is to manipulate the number of grants to be awarded, either by increasing total funding or by limiting the size of individual grants. The idea is that the more

grants are available, the greater each congressman's chances of receiving one. A third tactic is to reserve some fraction of all grants for localities with particular characteristics—usually areas the bureaucrats are least likely to favor. Finally, Congress can convey to the implementing agency its sense that targeting benefits should not go too far and that some consideration should be given to broadening the distribution. Bureaucrats are ordinarily quick to pick up such hints, for it serves their interests. In fact, they hardly need congressional directives. Some bureaucrats have developed sophisticated allocational strategies that anticipate congressmen's needs.<sup>25</sup>

These tactics are used frequently to help assemble support for new programs and to shore up shaky coalitions for established programs. The model cities program (1966) illustrates their effects. The idea behind model cities was to create a demonstration program pouring massive federal funds into a handful of troubled cities. Congress transformed it completely by providing for 150 cities, making small cities eligible, and limiting any state's share to 15 percent of the total funds. Bureaucrats then selected the cities strategically, for maximum political effect, spreading the benefits among as many of the program's congressional supporters as possible, even selecting a handful of villages with populations under 5,000. Similarly, a water and sewer program (1965) conceived to help rapidly growing areas was transformed so that all areas were eligible. The Appalachian regional development program (and most other economic development programs) have been broadened to include less distressed areas. The poverty program (1964), conceived as an experiment that would concentrate funds in pockets of poverty, evolved into a program with benefits spread thinly across the country. The list could go on.

The extent to which their preoccupation with local benefits can dominate congressmen's attitudes toward categorical programs is illustrated by the Urban Development Action Grant program (1977), the Carter administration's major urban initiative. Actually, there was little congressional debate on the program's intent, methods, or purpose. Attention focused on how the grants would be parceled out. Although it had already been established that cities of all sizes would be eligible, legislators from rural areas were dubious about their districts' chances in the competition. An amendment to guarantee 25 percent of all funds for cities under 50,000 population strengthened the coalition considerably. As table 8-1 demonstrates, congressmen had little trouble perceiving their districts' interests: those from rural areas were united in support (86 percent) while those from the most

<sup>25</sup> Arnold, *Congress and the Bureaucracy*.

TABLE 8-1  
DISTRICTS' INTERESTS AND CONGRESSMEN'S VOTES ON  
URBAN DEVELOPMENT ACTION GRANT AMENDMENT RESERVING  
FUNDS FOR SMALLER CITIES

% of District Population in Central Cities	Congressmen's Positions on Amendment		Number of Districts in Category	% Supporting Amendment
	For	Against		
0-19	164	26	190	86
20-39	69	18	87	79
40-59	32	24	56	57
60-79	9	14	23	39
80-100	5	47	52	10
All districts	279	129	408	

NOTE: The amendment required that 25 percent of funds be used for cities under 50,000 population (May 11, 1977).

SOURCES: *Congressional Quarterly, Weekly Report* (May 14, 1977), pp. 940-941; *The Almanac of American Politics* (1978).

urban areas were equally unsupportive (10 percent). The question whether separate benefit pools made good economic policy was never raised, for the political logic was compelling.<sup>26</sup>

Congressional politics can quickly dismantle any scheme for carefully targeting the benefits of grant programs and replace it with one more congenial to legislators' standards of political equity. At the same time, however, Congress tolerates a modest amount of political targeting, with members of important committees, coalition leaders, and crucial supporters profiting from bureaucratic largess.<sup>27</sup>

Does all this transform project grants into nothing better than formula grants, with their similar emphasis on all-inclusiveness and political equity—or perhaps something worse, since project grants permit precise political targeting while formula grants do not? Not necessarily. Even after all these political maneuverings, bureaucrats still have immense freedom to apply merit criteria in selecting projects and allocating benefits. Although political criteria may dictate that all (or most) congressmen ought to receive grants, bureaucrats still determine which applicants within each district most deserve benefits, and they may adjust the amount of each award appropriately. Furthermore,

<sup>26</sup> *Congressional Quarterly, Weekly Report* (May 14, 1977), pp. 891-892.

<sup>27</sup> Arnold, *Congress and the Bureaucracy*, pp. 95-206.

they can deny benefits to the most unworthy areas without running any great risk. Bureaucratic decision making, one step removed from coalition building in Congress, allows such choices, whereas formula drafting, centered in Congress, does not.

All this follows when a coalition is assembled to back a single categorical program. But what happens when an umbrella coalition is put together, embracing disparate programs? The consequences are necessarily less severe. Inclusiveness and political equity must still prevail, but over a whole package of programs; they need not be imposed on each. Individual programs can target benefits according to merit criteria. Unfortunately, this strategy is used infrequently today. It is still chosen when separate programs logically belong in the same bill, but seldom for programs included in different bills. One obvious reason is the diminished role of party leaders in Congress. Democratic leaders once helped manage umbrella coalitions, arranging the complex trades necessary to keep farm, city, labor, and western congressmen together in support of various targeted benefits, but they no longer do.<sup>28</sup> A second reason is that today more congressional votes are recorded and potentially visible to constituents. Rural congressmen, for example, might find it difficult to explain to their constituents how all the urban-oriented votes they have cast really benefit rural areas.

**New Formula Programs.** Categorical programs mushroomed during the 1960s, with a record of 109 new programs in 1965, the most frantic year of the Great Society, and with over 400 programs in operation at the end of the decade. Each program sustained the interests of some narrow group. Not everyone was pleased by the system, however. Though they enjoyed the flow of federal money, governors, mayors, and county executives resented the extent to which their own spending priorities were dictated by the availability of federal grants. More money with fewer strings became their rallying cry.

The idea was advanced by their own "public interest" groups, the National Governors' Conference, the National League of Cities, the United States Conference of Mayors, and others, and quickly picked up by the Nixon administration and various Republicans who found congenial (and politically opportune) the notion of less federal control.<sup>29</sup> Eventually, it evolved into proposals for two types of

<sup>28</sup> David R. Mayhew, *Party Loyalty Among Congressmen: The Difference Between Democrats and Republicans, 1947-1962* (Cambridge: Harvard University Press, 1966).

<sup>29</sup> Donald H. Haider, *When Governments Come to Washington* (New York: The Free Press, 1974).

programs. General revenue sharing, a proposal with a bipartisan history, would distribute funds by formula to state and local governments, with few, if any, restrictions on the purposes for which they could be spent. Block grants would also distribute funds by formula for recipient-determined purposes, but there would be separate programs for broad areas such as employment and training, community development, and law enforcement assistance. Each program would replace a raft of narrow categorical programs in the same functional area.

The question of how local benefits would be allocated under revenue sharing or the various block grant programs was central. Clearly, these programs promised few general benefits. They could no more survive in Congress on their general benefits than could categorical programs. Neither did they promise any new benefits for groups of service-providers or service-demanders, unlike the categorical programs, which thrived on group support. Aside from the associations of government executives, few groups saw advantages in a system that guaranteed them nothing but the right to compete with others at the local level. In the absence of significant general or group benefits, Congress naturally concentrated on the allocation of local benefits.

On this matter the associations of government executives were divided. Governors thought the states should be the principal recipients, mayors sought guaranteed shares for cities, and county executives defended their turf. More difficult was the question of how funds would be allocated among the various cities or states or counties. Mayors might agree that cities deserved larger shares, but they quickly parted over how to distribute those shares among them. New York and Houston inevitably diverge on what constitutes fair division. Public interest groups fought for what united them (more money for their members collectively), while their individual members lobbied their congressmen to manipulate the formulas until they produced more pleasing decisions for their localities.

In general, conflict over formulas is more intense for broad-based programs than it is for categorical programs. First, the stakes are larger. Individual broad-based programs can dispense billions. Second, everyone knows the stakes, because computers can calculate quickly the local implications of every imaginable formula.<sup>30</sup> Congressmen can only guess how much their districts will receive from project grants, since actual allocations depend on both local initiative and

<sup>30</sup> Stephen E. Frantzich, "Computerized Information Technology in the U.S. House of Representatives," *Legislative Studies Quarterly*, vol. 4 (May 1979), p. 266.

bureaucratic choice. They could forecast their shares of early formula grants, but not with speed or precision; they could not tinker endlessly with the formulas, searching for optimal political allocations, because there was no way to calculate quickly the local consequences. (They were also dissuaded from playing this game by the existence of substantial group benefits, which threw them into alliance with organized interest groups whose notions about allocation diverged from their own.) For the new broad-based grants, however, there are no such constraints.

Not only do congressmen know the incidence of local benefits under alternative formulas, but so do local officials, interested constituents, and potential opponents. The extent of information about local benefits, coupled with the absence of significant general or group benefits, impels congressmen to protect their districts' immediate interests to a degree unusual in congressional politics. They operate under the watchful eyes of covetous local officials, and in dread of future opponents' unearthing votes they cast for formulas that denied their districts maximum shares. What legislator wants to hand an opponent an issue so simple that no voter could fail to comprehend it? Given this, a congressman is practically forced to support the formula that maximizes his district's share of benefits, at least when the votes are public and recorded. There is little room for logrolling or for voting one's conscience when the stakes are so clear and so great.

Some might deny that congressmen are actually this calculating of local advantage when they design allocational formulas. Part of the reason is that congressional debate is seldom so crude. Congressmen debate behind a smokescreen; abstract concepts of fairness, need, justice, and hardship obscure the real issues of local advantage. Few misunderstand the code. When Senator Bentsen (Democrat, Texas) proposed in 1978 that even booming cities with low unemployment deserved countercyclical aid because they had "pockets" of poverty, all were aware that the real issue was not poverty but benefits for Houston and other economically healthy cities in the South. One clue is that the support Bentsen garnered came from those representing these prosperous areas, not from traditional champions of the poor.<sup>31</sup>

The best evidence of congressmen's preoccupation with local effects comes from recent roll call votes in which districts' interests were unambiguous. Most compelling was the formula fight in 1979 for a new \$1.35 billion block grant program for states designed to

<sup>31</sup> *Congressional Quarterly, Weekly Report* (August 19, 1978), p. 2220.

TABLE 8-2  
DISTRICTS' INTERESTS AND CONGRESSMEN'S VOTES ON AMENDMENT TO  
FUEL ASSISTANCE FORMULA THAT FAVORED COLDER STATES

Location of District	Congressmen's Positions on Amendment		Number of Districts in Category	% Supporting Amendment
	For	Against		
Sunbelt <sup>a</sup>	4	90	94	4
Frostbelt <sup>b</sup>	178	13	191	93
Total	182	103	285	

NOTE: The amendment specified a formula weighted toward states with colder weather to be used to distribute \$1.35 billion in fuel assistance funds for the poor (November 9, 1979).

<sup>a</sup> Sunbelt: California plus the fourteen states below 37° latitude (Alabama, Arkansas, Arizona, Florida, Georgia, Hawaii, Louisiana, Mississippi, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee, Texas).

<sup>b</sup> Frostbelt: The remaining thirty-five states.

SOURCE: *Congressional Quarterly, Weekly Report* (November 17, 1979), p. 2614.

help the poor pay their heating bills. Although few disputed that colder areas "deserved" more assistance per capita than warmer areas, legislators divided over how much more. As table 8-2 demonstrates, frostbelt congressmen were practically unanimous (93 percent) in their support of a formula weighted toward colder states, while sunbelt congressmen were equally united (96 percent) in opposition.<sup>32</sup> All this when there were excellent objective data on just how much residents of various states actually spent on heat. The point is that in formula fights, especially when information on local impact is clear, congressmen vote their districts' interests, with less than usual attention to questions of merit.

With congressmen all looking out for their districts' interests, what kinds of policies are produced? Typically there is little consensus on their fundamental purposes or long-term goals, but only short-term agreement on how benefits are to be allocated. In the absence of any unity of purpose, it becomes legitimate to break open the allocational formulas now and then and relaunch the fight for local advantage. The recurrent controversy over Community Development Block Grants illustrates well the dominance of allocational politics over common purpose.

<sup>32</sup> *Ibid.* (November 17, 1979), pp. 2593-2595.

Community Development Block Grants were proposed by the Nixon administration to consolidate ten existing categorical programs, including urban renewal and model cities. The formula itself, which allocated funds according to population, the overcrowding of housing, and poverty, drew relatively little fire in 1974 when Congress enacted the program. Congressmen were far too busy arranging for a "hold harmless" clause guaranteeing for three to six years that no community would receive less under the new program than it had under the ten categorical programs. This issue was pressing because many communities, especially the 150 model cities and those with large urban renewal projects, would face large cuts under any formula since formulas inevitably spread benefits widely. At this stage, protecting cities from immediate reductions was more important to many congressmen than carefully shaping a formula that would not take full effect for at least three years. In 1977, as the hold harmless clause was being phased out, congressmen from the Northeast and Midwest realized that the formula, with its emphasis on population, poverty, and overcrowding, actually benefited the sunbelt and that this advantage would increase with time as the frostbelt continued to lose population. With the support of the Carter administration, they moved to alter the formula. The new formula included two additional factors, age of housing and growth lag, which redirected benefits to the frostbelt. In order to soften the impact on the sunbelt, both formulas were adopted, the existing one and the new one, with each community using whichever was more advantageous. Even so, sunbelt congressmen worked to overturn the new formula on the House floor, while congressmen from the Northeast and Midwest united to protect it (see table 8-3).<sup>33</sup>

Decisions for other formula programs have followed the same patterns. A hold harmless provision is usually adopted when changes are made in an allocational formula, as the soon-to-be-deprived congressmen stand together to protect their districts from the unspeakable crime of reduced federal spending. It is often necessary to increase total funding for a program when a formula is changed, to allow both for the new beneficiaries and for those protected by grandfather clauses. Dual formulas are also common. General revenue-sharing funds, for example, are distributed among states according to two formulas: a five-factor formula, designed in the House, that favors the more populous, urban states, and a three-factor formula, product of the Senate, that favors more rural areas, especially in the South. The House-Senate compromise bestows upon each state an

<sup>33</sup> *Congressional Quarterly Almanac* (1974), pp. 345-363; (1977), pp. 126-137.

TABLE 8-3  
DISTRICTS' INTERESTS AND CONGRESSMEN'S VOTES ON AMENDMENT TO  
DELETE FORMULA FOR COMMUNITY DEVELOPMENT BLOCK GRANTS

Location of District	Congressmen's Positions on Amendment		Number of Districts in Category	% Opposing Amendment
	For	Against		
Northeast	1	110	111	99
Midwest	7	108	115	94
West	45	23	68	34
South	96	20	116	17
Total	149	261	410	

NOTE: This amendment was designed to delete a new alternative formula for allocation of community development block grant funds that was advantageous to communities with older housing stock or a lag in population growth (May 10, 1977).

SOURCE: *Congressional Quarterly, Weekly Report* (May 14, 1977), pp. 940-941.

allocation from the more advantageous formula.<sup>34</sup>

Broad-based programs do sometimes reflect more general concerns, providing extra benefits for poorer areas, or rewarding localities according to their own tax effort. But these differential effects are rarely very pronounced. The politics of formula design practically guarantees that any redistribution will be mild. Those who propose programs to target funds to distressed areas usually find their good intentions thwarted by political realities that dictate a wide distribution of benefits.

### The Imprint of Local Politics

The congressional quest for local benefits leaves an uneven imprint on public policy. Where the impressions are deep and durable, understanding how congressmen compete for local benefits and how their conflicts are resolved is the key to understanding policy making. Where the impressions are faint, policy making and competition for local benefits can be analyzed as separate processes, with little mutual impact.

The effects of the quest for local benefits on public policy vary according to differences in the composition of programs' benefits and

<sup>34</sup> Paul R. Dommel, *The Politics of Revenue Sharing* (Bloomington: Indiana University Press, 1974), pp. 156-164.

costs, differences in the process by which local benefits are allocated, and differences in interest group forces. Most important is whether a program provides substantial general benefits. Programs that are valued by the public regardless of where funds flow generate congressional support quite easily; general benefits distract legislators from their concern for local benefits. National defense, medical research, and national parks are good examples. Programs that concentrate most of their benefits in the areas where the funds are actually spent have no such natural supporting coalition. They tend to survive and prosper only when congressmen are satisfied with the distribution of local benefits. Public works and most intergovernmental grant programs belong in this class. Substantial group benefits can also help restrain congressmen from full-scale battles for local benefits. Interest groups usually have their own ideas about proper allocation, and they seldom coincide with congressmen's predilections.

The impact of the quest for local benefits also depends on where and how allocational decisions are made. When they are made in Congress concurrently with other decisions on programs the imprint tends to be greatest. It tends to be least when they are made later, in administrative agencies. Part of the reason is circular: Congress chooses to retain full allocational control when it cares most about allocation. But proximity in time and space also plays a part. The pressures on a congressman to protect his district's interests are greatest when he participates in decision making, and particularly when he must vote publicly on alternative formulas with precisely identifiable local consequences. Local pressures are less when bureaucrats allocate benefits. Congressmen profit either way. They claim credit when the bureaucrats' choices please them, and rail against them when they do not. There are no losing outcomes comparable to a wrong vote on a formula or repeated failure to obtain congressional authorization for a particular project.

Together these factors determine how much local benefits affect the shape of public policy. It may help to imagine a continuum of spending programs ranging from those scarred most deeply by the scramble for local benefits to those unaffected by it. Water projects lie at one end of the continuum, for they provide few general benefits and immense local benefits. They are everyone's favorite example of the congressional pork barrel. After water projects come intergovernmental grants, ranging from broad-based formula programs, where competition for local benefits leaves deep impressions, to categorical formula grants, where the impressions are somewhat less pronounced, and finally to project grants, where they are even less noticeable. Next along the continuum are the construction and staffing of federal

facilities, where substantial agreement on general benefits reduces some of the perverse effects of the quest for local benefits. These perverse effects are even further reduced for most procurement contracts. Anchoring this end of the continuum are defense, medical, and scientific research, where the impressions are practically imperceptible.<sup>35</sup> Completely off the continuum are the vast programs of transfer payments made directly to individuals. Here there are no geographically specific local benefits and thus no corresponding blemishes on public policy.

**Changing Patterns of Federal Expenditures.** A popular misconception about Congress is that it has turned increasingly to particularistic programs, so that each congressman can bring home ever more attractive packages of local benefits. Those who believe this to be true see innumerable perverse consequences. Fiorina argues that the greatly expanded pork barrel of recent years ("full to overflowing") has been transformed by clever congressmen into electoral dividends and that this expansion explains (in part) the increased safety of incumbents.<sup>36</sup> Elsewhere he argues that governmental growth can be traced back (in part) to the fundamental conflict between legislators over local benefits, a conflict resolved by overspending in each member's district in accordance with norms of reciprocity and universalism.<sup>37</sup>

Unfortunately, the notion that federal expenditures are increasingly shaped by congressional competition over local benefits is inaccurate. Figure 8-1 shows how the composition of the federal budget has changed during the past thirty years.<sup>38</sup> The eight analytic cate-

<sup>35</sup> It is worth reemphasizing that this essay is about how congressmen's quests for local benefits affect fundamental policy choices, not simply how congressional politics affects the allocation of local benefits (the subject of my previous work). The distinction is important. There may still be intense political competition over the location of a research or defense installation. But as long as this competition does not distort research priorities or decrease efficiency in achieving defense goals, we ought not be too concerned; it is a harmless political game, with no more than local consequences. My indignation is reserved for instances where competition for local benefits disfigures public policy, as when federal money is distributed according to political criteria, with scant attention to where the most pressing problems are located.

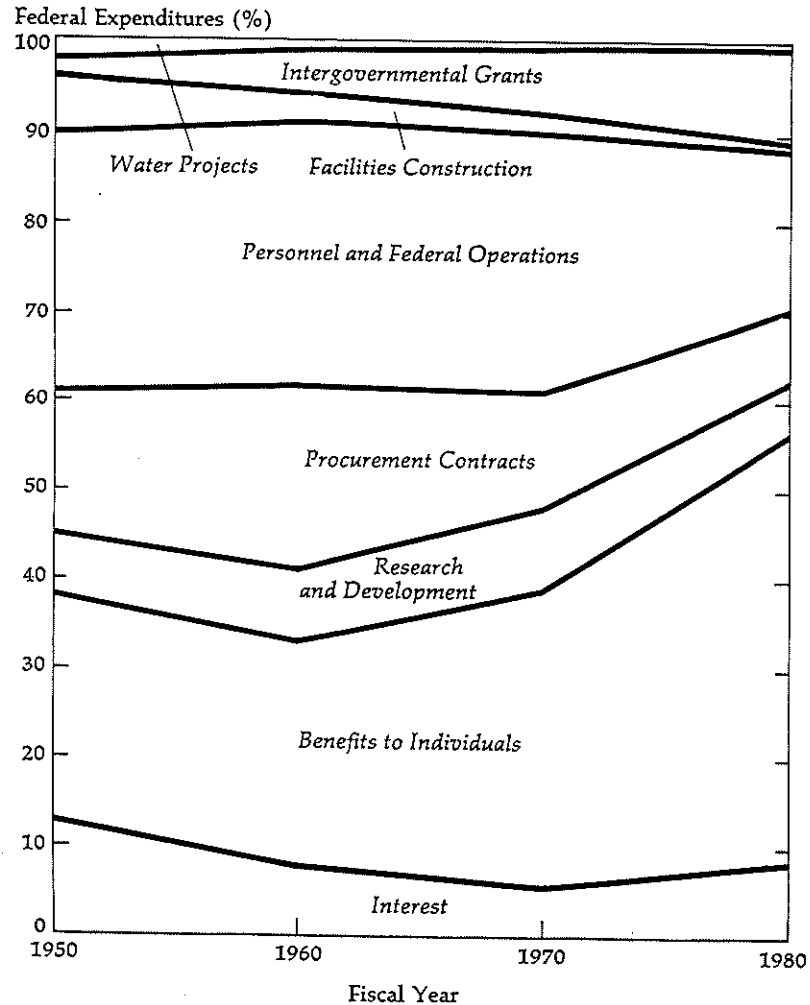
<sup>36</sup> Morris P. Fiorina, *Congress: Keystone of the Washington Establishment* (New Haven: Yale University Press, 1977), p. 48.

<sup>37</sup> Fiorina, "Legislative Facilitation of Government Growth."

<sup>38</sup> One could create a very different impression if one looked at gross, unadjusted expenditures. Naturally, practically all governmental expenditures increase over time, as do most nongovernmental expenditures. Examining the composition of federal expenditures is less misleading because the effects of population growth, economic growth, and inflation are removed. Federal expenditures as a proportion of the gross national product have increased very gradually from 18 percent in the early 1950s to about 22 percent today.



FIGURE 8-1  
COMPOSITION OF FEDERAL EXPENDITURES, 1950-1980



NOTE: The eight categories of expenditure are listed in order of the degree to which the quest for local benefits leaves its mark on public policy. Water projects are the most sharply affected, research and development least so; interest and benefits to individuals are unaffected. See also footnote 39 in the text.

SOURCE: U.S. Office of Management and Budget, *The Budget of the United States*, Special Analyses and Appendix, fiscal years 1950, 1960, 1970, and 1980.

gories are ordered according to the degree to which the quest for local benefits leaves its mark on public policy (using the continuum developed in the previous section). Note that the principal source of change has been the growth in direct benefits to individuals.<sup>39</sup> These programs, including social security, public assistance, Medicare, and Medicaid, now account for nearly half of all federal expenditures. Allocating benefits directly to individuals dampens any congressional competition over shares of local benefits. From this perspective, the impact of the congressional quest for local benefits on federal expenditures seems to be diminishing.

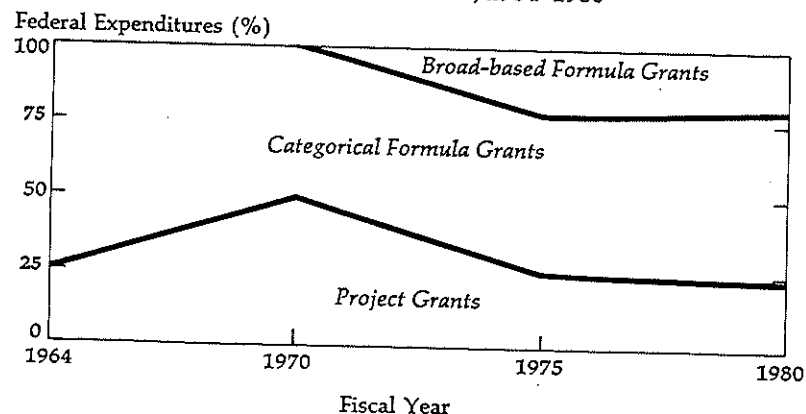
The shifts among the remaining types of expenditures are mixed, and some of their effects cancel out. Within the category of intergovernmental grants, the scramble for local benefits seems to be making even deeper impressions on public policy, as broad-based formula grants, with their all-inclusive allocational criteria and standards of political equity, displace project grants (see figure 8-2). Conversely, the sharp decline in water projects (from 2 percent of total expenditures to 0.5 percent) suggests a major reduction in that classic American pork barrel where the quest for local benefits has always been so overpowering. On the whole, the shift away from the construction of water projects and other federal facilities toward intergovernmental grants has probably deepened only slightly the impressions that the congressional quest leaves on domestic policy.

The argument that these shifts have somehow allowed congressmen greater opportunities for credit claiming and, therefore, that they have contributed to the remarkable electoral security of congressmen in recent years does not rest on firm evidence. In fact, these shifts have produced a relative decline in the volume of particularized benefits: water projects, project grants, construction and staffing of federal facilities, and procurement contracts all have been declining in relative magnitude, and these are the outlays where a legislator "can believably generate a sense of responsibility" for a particular decision.<sup>40</sup> They have been displaced by the growth in formula programs (such as revenue sharing) and entitlement benefits for

<sup>39</sup> For all years, I have counted as "benefits to individuals" those intergovernmental grant programs that provide payments to individuals, such as Medicaid and public assistance. This is consistent with current accounting practice in *Special Analyses*. I have reclassified such programs in earlier years so that only substantive changes in expenditures are reflected, not changes in methods of accounting. The distinction between procurement contracts and expenditures for personnel and operations is not well maintained in earlier years. Fortunately, it is not important to my basic argument.

<sup>40</sup> Mayhew, *Congress: The Electoral Connection*, p. 53.

FIGURE 8-2  
FEDERAL EXPENDITURES FOR INTERGOVERNMENTAL GRANTS, BY  
ALLOCATIONAL METHOD, 1964-1980



SOURCE: U.S. Office of Management and Budget, *The Budget of the United States, Special Analyses*, fiscal years 1973, 1970; Donald H. Haider, *When Governments Come to Washington* (New York: The Free Press, 1974), p. 55; Advisory Commission on Intergovernmental Relations, *Categorical Grants: Their Role and Design*, pp. 32, 92.

individuals (such as Medicare). These newer programs deliver benefits as a matter of right, not privilege, and congressmen have fewer opportunities to claim responsibility for them.

There is even less support for the argument that congressmen's incessant quests for local benefits has somehow contributed to growth in government spending. Actually, the magnitude of growth is relatively small. Federal outlays as a percentage of the gross national product since 1955 have amounted to: 18.1 percent in 1955, 18.5 percent in 1960, 18.0 percent in 1965, 20.5 percent in 1970, 22.9 percent in 1975, and 21.7 percent in 1980.<sup>41</sup> The great engine of change, however, has been the growth of transfer payments to individuals. These payments have increased from 25 percent of federal spending in 1950 to 48 percent today (see figure 8-1). The pork barrel simply has not been expanding.<sup>42</sup>

<sup>41</sup> *Budget of the United States* (1973), p. 552, (1980), p. 577.

<sup>42</sup> For a more rigorous analysis of the argument, see R. Douglas Arnold, "Legislatures, Overspending, and Government Growth" (Paper presented at the conference on the causes and consequences of public sector growth, Dorado Beach, Puerto Rico, November 1978).

**The Politics of Inclusion.** Congress has always had trouble targeting benefits to areas where they are most needed. The whole notion goes against the congressional grain. Unfortunately, recent changes in Congress have made such targeting less likely than ever, especially for intergovernmental grants. More and more, Congress produces homogenized grant programs that distribute small packages of benefits (relatively) uniformly across the country, where once it made greater efforts to concentrate benefits. The sources of change are many, though interrelated.

One source is the shift from the project grants of the 1960s to the broad-based formula grants of the 1970s. Of course, it is fashionable today to deride project grants, by creating images of pointy-headed bureaucrats dictating how communities can spend their own federal tax dollars. What is often overlooked, however, is that bureaucrats are much more likely than congressmen to target funds according to need. Bureaucrats are not unconcerned with political realities; in fact, most are quite talented at melding political and merit criteria. But they are free to make individual project decisions. They are not faced with the task of writing blanket formulas suitable for every case. To illustrate: congressmen may write a formula that spreads funds fairly evenly among 3,000 counties; bureaucrats, on the other hand, may allocate funds according to whatever merit criteria they choose, subject to the constraint that most congressional districts contain at least one "needy" county. Politics is only one of many considerations entering into the allocation of projects, whereas it can become the principal determinant of a formula designed by Congress.<sup>43</sup>

Although it is easier to tailor allocations to the differing needs of beneficiaries through individual project decisions than through formula grants, Congress could still design more effective formulas than it does. Unfortunately, still other changes in Congress preclude this. Ordinarily, better information makes for better decisions. Here, vast improvements in the information available to congressmen have had the opposite effect. When computers inform everyone (congressmen, constituents, and future opponents) of the incidence of local benefits under every imaginable formula, the stage is set for the complete dominance of local politics. When congressmen are forced to vote publicly on alternative formulas under the watchful eye of

<sup>43</sup> There are, of course, countervailing arguments in favor of broad-based formulas. Their advocates usually emphasize the virtues of decentralization and the value of local control over how federal money is eventually spent. My point here is that this decentralization in spending authority has come at the price of greater politicization in the allocation of funds among recipients.

voracious local officials, that dominance is all but assured. All these changes have occurred. Computers are now well entrenched on Capitol Hill. Formula fights have moved from the committee rooms to the floor. Recorded votes are demanded increasingly. Cities, states, and counties have established their own Washington offices, and they keep careful track of their congressmen's actions. Ignorance is not bliss, but neither does perfect and complete information necessarily produce more enlightened public policy.

The decline of political parties in American society has been well chronicled, as has their diminishing role in Congress. This decline removes one of the few forces working to impede the politics of inclusion that now transforms every narrow program into one dispensing benefits universally and uniformly. Parties restrained such actions, not because they substituted noble objectives for local self-interest, but rather because they allowed congressmen to pursue policies offering greater local advantages than the politics of inclusion. Today most coalitions are assembled ad hoc, one program at a time; congressmen's support is contingent upon their receiving satisfactory shares of benefits for their districts. The result is hundreds of programs dispensing tiny shares to everyone: urban programs that encompass rural hamlets, law enforcement programs that benefit localities where crime is a minor issue, economic development programs that embrace economically healthy areas, and fuel assistance programs for regions where heating costs are not onerous. The present arrangements should not imply that citizens actually prefer small portions of every item on the menu or that this constitutes a healthy diet. It is simply the inevitable consequence of a system where congressmen have to look out for their district's interests program by program.

Concentrating each program's benefits where they are most needed requires controlled logrolling, and that functions best when party leaders are strong enough to arrange and enforce agreements among legislators. Logrolling has a poor reputation, no doubt because it is associated with rivers and harbors bills funding scores of unjustifiable projects. But logrolling has its virtues. It can draw under a single umbrella coalition a whole series of programs, each of which targets funds according to need. Districts then receive substantial benefits where their needs are greatest and nothing where they are marginal.

The rise of broad-based formula grants and the decline of project grants in the last decade may not serve the public interest well. It is now extremely expensive to deliver funds to the most desperate areas because funds must be included for all the less

needy areas. Under categorical grants, a small portion of funds had to be allocated for political reasons—to grease the congressional wheels. Under the new formula programs, however, that political portion has multiplied many times. Universalism and uniformity threaten to displace need as allocational criteria.

Neither does the rise of these formula grants necessarily serve congressmen's individual political ends. The conventional wisdom is that congressmen prefer categorical project grants. They enjoy creating them because important interest groups are watching, and they enjoy obtaining projects for their districts because they can claim credit for bringing home the bacon. They can earn credit year after year because localities must continually reapply for these project grants. Under formula grants, once programs are enacted the benefits flow automatically. Congressmen can no more claim credit for the repeated delivery of revenue-sharing checks than they can for social security.

But then why has Congress been approving broad-based formula grants? The best explanation is that outside pressures have counted for more than calculations of political advantage. Outside groups struggled to place these proposals on the agenda; once they were there, congressmen had little choice but to approve them, for no one wanted to vote publicly to deny his district money. The outside groups were the new public interest groups, representing state and local officials, who saw more money with fewer strings attached for their members, and Republican politicians, who saw political advantage in proposing alternatives to the Democrats' centralized programs.

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