aid. By it revenue has been provided by the Federal Government to State and local governments.

When the Congress gives grants it acknowledges that certain State-local expenditures have a higher priority than competing Federal expenditures, and Congress is prepared to tax in order to contribute to their costs. Grants have been of two broad types, the conditional or specific purpose grant—the only kind used in the United States, and the unconditional or general purpose grant—used in such federal nations as Canada and Australia and now under discussion here.

The major philosophical or theoretical criticism brought against grants has been the principle of financial responsibility. The government which makes the spending decision should, it is argued, also make the taxing decision, or as Musgrave puts it, taxes have a "discipline function."

This criticism is blunted with respect to conditional grants by attaching "conditions" which serve to preserve financial responsibility. The Federal Government defines quite precisely the kind of spending which will earn a grant, and it usually requires "matching," that is that some defined share of the spending be provided from State-local revenues. These "strings" can be, and often are, quite extensive. Indeed, by insuring financial responsibility, the Federal Government raises other problems. The conditions imposed uniformly across the Nation may be unsuitable in face of the diversity of State-local program needs. The interest of Members of the Congress in pushing specific programs is supplemented by a similar interest of program specialists in Federal agencies so that conditions are tightened with the passage of time. For example, 20 years ago, critics were saying that the public health grants were too categorical and fragmented—not just academic scribblers, but budget examiners. But program specialists in Washington, with the support of key people in Congress, continued to increase the number of categories; the number of project grants grew as the amount of the grant for general health went down. Only in 1966 was there a move against this trend when a Comprehensive Health Services Act made possible some merging of the health grants.

This "natural" bureaucratic process of strengthening controls has, I believe, impaired the very great value of conditional grants. In the past few years, the proliferation of the Great Society grant programs has aroused the executive branch and the Congress to an awareness of this flaw—witness the convenor order of August 11, 1966; the factfinding surveys of intergovernmental problems by the Bureau of the Budget; the review of the categorical grants of HEW; and the White House memo of November 11, 1966, concerning consultation with State and local officials.

Uniform standards and adequate supervision are difficult or impossible to achieve with respect to many functions. In this respect, the better course of action may be to provide unconditional grants to State and local governments. In this way these governments will be put in a financial position by which they can discharge their responsibilities according to their diverse standards and preferences.

The unconditional grant, provided without strings to be spent according to the decision of the recipient, is vulnerable to the charge of financial irresponsibility. Experience in Canada and Australia does suggest that State—provincial—governments are stimulated by uncon-