But we can go even further than that. It would be important for the Government to have sources of revenue that respond to rises in total income, whether the increase is real, or the result of price rises. Unless the Government does match the increase in the growth of real income, the Government contribution to the life of the country would relatively be reduced.

From 1952 to 1958, the increase of GNP in current dollars was $90 billion and in 1958 dollars $38 billion, or roughly the inflation accounted for about 58 percent of the rise of GNP as against only one-third from 1939 to 1958.

As I shall show presently, the structure of taxation varies a great deal at different levels of government, and with this there is a varying degree of sensitivity to price and income changes. Table 4–1, for example, shows quite clearly that the Federal Government's share has increased greatly, especially since 1938. In that year, the Federal Government tax revenue as a proportion of total revenue was 41 percent, but by 1957 it had risen to 71 percent. During this same period State tax revenue declined from 24 to roughly 15 percent and local tax revenue from 35 to 15 percent. It is of some interest that in 1902 State tax revenue was roughly 11⅓ percent of the total tax revenues and almost 15 percent in 1957, but local tax revenues, which were 51 percent of the total, or four to five times as large as the taxes of the State government in 1902, had declined to a proportion virtually identical with that of State tax revenue. One explanation of this very significant relative decline in the contribution of local tax revenue is the great dependence on the general property tax which on the whole responds very slowly, if at all, to rising prices and rising income. Under this pressure and for other reasons as well, the State governments had to take on a much larger relative share of the burden of government.

TABLE 4–1.—*Tax revenues and percent Federal, State, and local tax revenues of total tax revenues, all levels of government, 1902, 1927, 1938, 1948, and 1957*

	Total tax revenue (millions)	Federal tax revenue		State tax revenue		Local tax revenue	
		Millions	Percent	Millions	Percent	Millions	Percent
1957 (preliminary)	$98,858	$69,815	70.62	$14,531	14.70	$14,511	14.68
1948	51,218	37,876	73.95	6,743	13.16	6,599	12.88
1938	12,949	5,344	41.27	3,132	24.19	4,473	34.54
1927	9,451	3,364	35.59	1,608	17.01	4,479	47.39
1902	1,373	513	37.36	156	11.36	704	51.27

Source: Adapted and calculated from "Governmental Finances in the United States, 1902 to 1957," G-CGA-No. 9, March 1959, U.S. Department of Commerce, Bureau of the Census, tables 2, 3, 5, 6.