

TABLE 4-3.—*Percent insurance trust revenue of general revenue*

[Revenue in millions of dollars]

	All levels of government			Federal Government			State governments			Local governments		
	Insurance trust revenue	General revenue	Per-cent	Insurance trust revenue	General revenue	Per-cent	Insurance trust revenue	General revenue ¹	Per-cent	Insurance trust revenue	General revenue ¹	Per-cent
1957 ²	12,305	113,735	10.82	8,663	79,263	10.93	3,209	18,458	17.38	433	25,639	1.69
1948	4,828	59,666	8.09	2,977	44,277	6.72	1,494	8,483	17.61	140	11,373	1.23
1938	1,584	15,023	10.54	631	6,595	9.57	890	3,813	23.34	63	6,651	.95
1927	237	11,551	2.05	73	4,396	1.66	137	1,766	7.76	27	5,903	.46
1902		1,632			653			165			854	

¹ Intergovernmental transfers are included in State and local governments' general revenues.² Preliminary.

Source: Calculated and adapted from "Government Finances in the United States, 1902-57," G-CGA-No. 9, March 1959, U.S. Department of Commerce, Bureau of the Census, tables 2, 3, 5, and 6.

I now turn to the problem of the tax structure of different governments, as well as the trend in these structures. This is all elaborated in table 4-4. Note, first, that total tax revenue rose from a little more than \$1 billion in 1902 to \$13 billion in 1938, to \$51 billion in 1948, and \$99 billion in 1957.

On the whole, it is generally assumed that the direct income taxes, both personal and corporate, respond to rises in prices and incomes much more than, for example, sales receipts, custom duty, or the property tax. In a general way, the property tax may be assumed to be the least flexible of all the taxes we have under consideration, except for the poll tax.

Fortunately, the largest yield of revenue comes from the personal income tax, for it yields \$37 billion, almost 38 percent of all tax revenue. This contribution toward the Federal tax receipts has tended to grow greatly, though there was some decline during the depression, relatively speaking. By 1957, when the personal income yielded more than half of the total revenue of the Federal Government, its contribution to State revenue has also tended to increase, but not nearly so much as to the Federal Government, and even by 1957 State income taxes yielded only about 11 percent of total tax revenue.

The corporate income is also tending to become much more important, though its growth absolutely and relatively has not been nearly as great as for the personal income tax. For example, its relative contribution rose from 25 percent in 1938 to 50 percent in 1957, whereas the relative contribution of the personal income tax has increased more than 200 percent.

On the whole, the increased contribution of corporate income taxes to State finance have been disappointing. One explanation of this undoubtedly is the fear of interstate competition which tends to result in a slower growth of direct taxes and therefore results in a less than adequate use of direct taxes by State government, and to that extent, of course, the response of tax revenues to rising prices and incomes is disappointing.

Sales receipts and custom duties respond, to some extent, to increased income, since as incomes rise consumption expenditures also tend to