

6. A "medium" projection suggests that if annual teachers' salary increases of 3 percent are granted—and funds to finance them can be found—total current expenditure, plus debt service, for public primary and secondary education will have advanced in terms of 1958 dollars to about \$17.4 billion by 1965; i.e., a 58-percent increase in 7 years. However, if people's attitude toward public education and the way of financing it remain unchanged, a 3-percent annual increase in per capita personal income may produce merely \$15.3 billion in revenue in 1965. While this would be an increase of about 39 percent over the 1958 figure, it would be about \$2.1 billion below the earlier projected expenditure figure.

CHAPTER 1. GENERAL SUMMARY

INTRODUCTION

This study is designed to shed light on the cost and expenditure level changes of the public primary and secondary education sector of our economy—a sector employing more than 2 million men and women, who serve almost 35 million pupils. This sector in 1958 spent more than 30 percent of all the money spent by State and local governments, an amount representing about 3.3 percent of national income and 3 percent of gross national product. In order to trace and understand changes in the cost of education and relate them to the rest of the State and local government sector, the latter sector is examined first in some detail. This sector, for example, accounts for about 12.3 percent of gross national product, and perhaps 3 to 3½ percent of the Consumer Price Index of the U.S. Department of Labor. There are indications that since 1952 the cost of State and local government services increased up to three times more rapidly than did the other items included in the index.

To shed light on the cost behavior of this sector, a functional service breakdown is attempted, and the question is raised: "Which State and local government services provided the major monetary push?"

STATE AND LOCAL GOVERNMENT SECTOR

In terms of general expenditures, education, highways, public welfare, and health and hospitals have been the four most important State and local government services since the turn of the century. Education expenditures have accounted for an increasingly large share of all expenditures. They increased from about 25 percent in 1902 to about 35 percent in 1958. General expenditures for public primary and secondary education advanced at a somewhat slower pace than did those for higher education.

The relative importance of highway expenditures showed great fluctuations. During the first quarter of this century a steady advance from 17 to 25 percent was registered. From then on until the end of World War II a steady decline set in, which has been reversed only in recent years. Public welfare expenditures, at least in relative terms, grew more rapidly than any of the other main services. Most of their advance took place during the first half of the 1930's. Finally, the relative share of health and hospital expenditures has shown a