

The following table shows for selected years a breakdown of total State and local government expenditures on a national income and product accounts basis and the relative proportions:

|           | Expenditures (billions of dollars) |                                       |                    |                    | Percent distribution     |                                       |                    |                    |
|-----------|------------------------------------|---------------------------------------|--------------------|--------------------|--------------------------|---------------------------------------|--------------------|--------------------|
|           | Structures and equipment           | Other purchases of goods and services | Other expenditures | Total expenditures | Structures and equipment | Other purchases of goods and services | Other expenditures | Total expenditures |
| 1950..... | 5.6                                | 13.8                                  | 2.8                | 22.3               | 25                       | 62                                    | 13                 | 100                |
| 1955..... | 9.8                                | 20.3                                  | 2.6                | 32.7               | 30                       | 62                                    | 8                  | 100                |
| 1960..... | 13.6                               | 32.5                                  | 3.5                | 49.6               | 27                       | 66                                    | 7                  | 100                |
| 1965..... | 19.9                               | 48.3                                  | 4.4                | 72.6               | 27                       | 67                                    | 6                  | 100                |

Source: U.S. Department of Commerce.

Purchases of goods and services other than structures and equipment consist mostly of compensation of employees and spending for nondurable goods. The "other" expenditures consist of transfer payments plus net interest less the current surplus of government enterprises; the ratio of these to total expenditures has been declining since 1950, due to the large expansion in the operations of government enterprises resulting in a sharp increase in their current surplus.

State and local government expenditures for structures and equipment have differed substantially from GNP, both with respect to trend and to general contour, whether compared in current or constant dollars. Since differential price movements affect dollar values, a comparison in constant dollars may be more useful. Chart 2 shows the movements of the two series, State and local government capital purchases and real GNP over the postwar period.

Appropriate price indexes have been compiled for a number of detail groups of structures and equipment purchases, and overall implicit prices derived for the two major aggregates of these outlays. For each of these major groups—structures and equipment—the implicit price has moved about in line with that for the respective group in the private sector. In the more recent years, however, the implicit price for structures purchased by State and local governments has increased at a somewhat faster pace than that for the corresponding group in the private sector, mainly due to a different composition and relative importance of the subgroups within the major category.

As previously indicated, real capital purchases by State and local governments moved sharply upward in the early postwar years. However, after 1950, the rate of increase moderated considerably, averaging 5.9 percent per year through 1965—still considerably larger than the average growth rate of real GNP of 3.2 percent per year over the same period. The growth rates show further disparities when the period is split into parts. From 1950 to 1957 real purchases of structures and equipment rose at a rate of 7.2 percent per year, but after 1957 the rate was reduced to 4.7 percent per year. In contrast, real GNP increased at 3.3 percent per year in the 1950–57 period but has expanded at an average rate of 4 percent per year since 1957. In both periods the growth rates of State and local government capital purchases exceeded those of real GNP.