total was somewhat less than $2 billion. The peak of public outlays prior to World War II never exceeded $20 billion. At their postwar trough in 1947 such expenditures were still barely above $40 billion.

TABLE 1.—*Government as a purchaser of goods and services*

[Dollar amounts in billion]

Year	Total outlays	Purchases of goods and services	Transfer payments	Net interest [2]	Total outlays as percent of GNP	Purchases of goods and services as percent of GNP
1903 [1]	$1.7	$1.5	$0.2	$0.1	7.5	6.6
1929	10.3	8.5	.9	1.0	10.0	8.2
1939	17.5	13.3	2.5	1.7	19.3	14.6
1947	42.4	25.1	13.0	4.2	18.3	10.9
1953	101.2	81.6	14.7	4.8	27.8	22.4
1966	208.8	153.1	44.2	11.5	28.2	20.7

[1] Fiscal year.
[2] Including subsidies less current surplus.

Interest and transfer payments have both contributed to this acceleration in government expenditures. Transfer payments have experienced the sharpest growth, reaching $44 billion last year as compared with $2.5 billion prewar.

Economists prefer to use changes in the share of gross national product taken off the market place by government rather than total governmental expenditures as a guide to trends in its economic influence. Interest and welfare payments are by convention excluded from gross national product. Only the public payroll and what is otherwise bought from the private sector for government consumption or investment enter into this frequently cited comparison of governmental growth and national economic growth. The underlying rationale is that such a comparison reveals the changing extent to which existing resources are being channeled into the public sector.

In such comparisons government looms ever larger in terms of its influence in the nation's market place. We entered this century with little more than 5% of all goods and services destined for government use. Under the maximum pressure of World War I this set aside reached 21%.

With peace restored, the proportion declined and by the late '20's such purchases were equivalent to a twelfth of annual output. The enlarged role of government during the Depression helped raise this to nearly a seventh of output in 1939. The lowest postwar set aside in 1947 again found little more than a tenth of national output allocated to the public sector.

With the Korean War the progression upward resumed, the war peak alone requiring close to a quarter of all output. Subsequently our provision of a defense shield for the Western World together with the enlarged scope of state and local activities kept the share of gross national product devoted to government to fully a fifth of annual output throughout the past decade.

The record of government as a purchaser clearly reveals that for two thirds of this most prosperous century with its years of war and peace and of deflation and inflation, government demand has grown more rapidly than the private sector. The trend is unmistakably upward. As one level of government—Federal, state or local—at times declines, the other level expands. Wars bulge the public sector. Peace deflates it. But its market share holds above where it had been prior to war in the familiar ratchet effect. The long run secular trend indicates government absorbing an even larger share of national output, thereby expanding its influence not only as to what shall be produced but also where and by whom.

In similar fashion, government's direct or latent power has steadily risen to determine who shall be employed and where. The actual number of full-time equivalent workers directly employed in the public sector, including those in the Armed Forces, was about 14.6 million in March, 60% of whom worked at the state and local level. This means that of each 100 persons at work, including those in the Armed Forces, 18 were on government payroll.