purchases is financed out of debt. In 1966, the receipts from all sources including trust funds exceeded $212 billion. The comparable take was only $11 billion in 1929 and $15 billion as late as 1939.

TABLE 4.—*Government revenue*

[Dollar amounts in billions]

	Total	Federal	State and local [1]	Total revenue as percent of GNP
1929	$11.3	$3.8	$7.5	11.0
1939	15.4	6.7	8.7	17.0
1944	51.2	41.0	10.2	24.4
1966	212.3	142.5	69.8	28.7

[1] Excluding Federal grants-in-aid.

The extent to which income flows have been affected by taxation since World War II is strikingly evident in the dramatic change in the relation of government receipts to gross national product. What the public sector now collects annually is equivalent to about 29% of annual output—a larger share than the 24% it received at the maximum war effort in 1944. Taxes alone in 1965 were equivalent to 23% of gross national product or 28% of national income, as compared with 21% of gross national product and 25% of national income in 1944.

Federal receipts are presently greater than this nation's total annual output as late as 1941. But the relative gain in recent years is most pronounced in state and local government. Until the early 1950's the receipts of such units were no larger relative to national product than in the late Twenties. Thereafter they rose from 7.5% to about 12% of gross national product in 1965. Including Federal grants-in-aid of over $10 billion annually, the receipts of state and local government now total over $88 billion, in 1965, nearly three and a half times the 1950 take. Even so, expenditures have bulged so that state and local debt has in turn, quadrupled since the early 1950's.

By way of highlighting the transformation of market forces, accompanying the growth in government, it is pertinent to note that in the late Twenties and just before World War II, personal consumption expenditures were equivalent to about three fourths of the national output. Today consumers take less than two thirds of annual output off the market place. The comment offered by the U.S. Department of Commerce on this continuing secular decline in the consumer's share of what is produced.[1]

"The consumer market throughout the postwar period absorbed around two thirds of total gross national product. This share was lower than that which prevailed in prosperous prewar years, when three fourths of total output flowed through consumer channels.

"This fundamental change reflected the expansion in the role of Government resulting primarily from the heightened requirements of national defense, although an increase in civilian-type services rendered by Government was involved also. This shift to Government in the use of current output was accomplished through a considerable step-up in the rates of taxation. The ratio of disposable personal income to GNP was thereby lowered; and, in turn, there was a corresponding reduction in the ratio of consumption to GNP as individuals in the past decade spent and saved roughly the same proportions of their after-tax incomes as they did in the prewar era."

D. GOVERNMENT AS A PRODUCER AND SELLER

Few, if any, changes in the market structure of this century have been so laden with social, economic and political significance as the movement of government into areas of activity previously reserved for tax-paying enterprise. This has

[1] A possible offset exists in the direct flow to consumers of government-provided goods and services at little or no cost (e.g. national parks, toll-free express highways; higher education at public expense, etc.).