Of all the ship construction work performed for the U.S. Navy in 1964, the government accounted for 28% of it.

State and local governments have also enlarged their activities in these fields. Liquor store and utility revenues of state and local governments, for example, totaled $6 billion in 1965 as against barely $1 billion in the late Thirties. Both dollar amounts, however, accounted for about 8% of total self-generated revenue in their respective periods.

Alcoholic beverage distribution facilities (state liquor monopolies) are presently operated by 16 state governments—Alabama, Idaho, Iowa, Maine, Michigan, Montana, New Hampshire, Ohio, Oregon, Pennsylvania, Utah, Vermont, Virginia, Washington, West Virginia, Wyoming—and by some counties and small municipalities in a few states.

TABLE 7.—*Operating revenue and expenditure of local utilities* [1]

[In millions of dollars]

Fiscal year	Water supply		Electric power		Transit		Gas supply	
	Revenue	Expenditure	Revenue	Expenditure	Revenue	Expenditure	Revenue	Expenditure
1953	939	631	713	453	500	529	295	228
1957	1,246	912	965	738	542	552	138	114
1961	1,621	1,116	1,450	966	588	636	197	155
1965	2,004	1,367	1,833	1,216	776	885	295	228

[1] Expenditure includes interest on utility debt.

Liquor store revenue amounted to $1.4 billion in fiscal 1965. Retail sales of liquor stores nationwide totaled $6.3 billion in calendar 1965 so that roughly 20–25% of all liquor store sales are presently channeled into the public sector. This is exclusive of taxes on alcoholic beverages which amounted to $4.6 billion at all three levels of government in fiscal 1965.

Among the utility enterprises, run in the main by local governments, are water supply, electric power (usually distribution systems), gas supply and transit systems. About 75% of all localities with water systems are operating them under public ownership. Publicly-owned water systems along with electric power and gas supply systems, without paying tons, seem to be self-supporting, at least in the aggregate; that is revenues cover operating costs plus depreciation and interest, but no allowance is made for taxes. This is apparently not the case when it comes to public transit systems, where deficits are the rule rather than the exception.

State-run lotteries are beginning to appear, but the competition here is with underworld private enterprise.

Rather than curtailment of state and local activity in commercial areas, such activity may well increase as tax sources become fewer and more cost pricing comes into effect with regard to utilities.

E. GOVERNMENT AS MONEY LENDER AND GUARANTOR

The structure and internal composition of financial markets, much like the market for commodities and the consist of employment, has been markedly altered by direct government lending but even more by the widespread use of Federal guarantee. Unlike the Congressional ceiling that control Federal debt, there is no statutory limit to Federal guarantee of loans or on the amounts quasi-public agencies can borrow for their operations. Neither the guarantee nor insurance activities are directly reflected in the administrative, cash or national-income budgets. "Comparisons over time are misleading if there is a shift from direct-loan programs, which are included (with net amounts) in the budget, to guarantee programs which are not included." [1]

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[1] David J. Ott and Attiat F. Ott, "Federal Budget Policy," The Brookings Institution, Washington, 1965, p. 15.