

It is important, if I may, to just say again that we have not projected any one level of expenditures. We have laid out the choices that the citizens might make as to what they think should be the scope and quality, whether it is so-called Marshall program for Negroes or rebuilding the cities, or whatever.

We now turn to the CED model for the revenue projections. The existing State and local tax structure will obviously yield increasing revenues in response to economic growth. A number of recent studies under response of various State and local taxes to economic growth—and three of the best studies have been done by people who were on this panel; notably, Selma Mushkin, Dick Netzer, and Elsie Watters of the Tax Foundation—suggests that the existing tax structure of the State and local taxes will yield increases in tax revenues at rates approximately as large as GNP.

Now, reasonable projections concerning the rate of increase in the labor force, productivity in price trend as developed by the staff of the Joint Economic Committee itself, suggest that the national product will rise 80 percent over the 1965–75 decade. Thus, in 1975 State and local revenues are likely to be about 80 percent higher than in 1965, if no changes in the rate of taxes or the coverage of taxes are made over the fiscal 1965 structure.

If we include for this purpose the new sales tax which was legislated in 1965, but not put into effect, we would get an increase of 86 percent, just in the revenues due to growth, but no changes in taxes.

Now, State and local governments also secure funds not only from their own sources in taxes, but from charges, from Federal grants-in-aid, and from increases in debt. We may develop parallel models there, paralleling the assumption that the tax structure is fixed. We assumed a fixed system of charges which takes account of changes in costs and population-workload; the increase in Federal grants-in-aid as applied in existing legislation; and a percentage increase in debt equivalent to that of general revenue from our own sources.

We estimate with price changes that about \$31 billion is what is already written into present legislation for the existing grants-in-aid without new programs, and a percentage increase in debt equivalent to that of the general revenue from all sources, which has been a very stable figure. On this basis total State and local receipts, we project, will increase 98 percent over the next decade.

Now, these funds would permit, if no changes were made in taxes, a level of expenditure consistent with an improvement in scope and quality of 23 percent in the next decade, which is clearly comparable with what happened in the last decade, 24 percent, with no changed taxes.

Thus the aggregate rate of improvement in scope and quality achieved in 1955–65, and financed with rapidly rising tax rates and coverage during that period, which was one of the highest periods of growth and action by State and local governments, could be maintained in the forward period even if no further changes were made. But this is not to say that tax increases will not occur. They certainly have. Or that the rate of improvement in Government services need not become more rapid. Neither can we say that individual communities, particularly the cities, or poor States, will not face grave fiscal difficulties. But it is reasonable to conclude that the fiscal resources