The improvement in scope and quality is subject to policy choices. The extent of the expansion in scope and quality of public services depends on political decisions made by the people acting in their role as voters and government officials. Our model therefore does not attempt to project a single rate of change in scope and quality. Instead, it indicates the cost of changes in scope and quality of different magnitudes, in order to enable us to relate these magnitudes and their costs to the experiences of the past. In doing so, plausible limits to changes in public expenditures and the effects that these changes can have are suggested.

We have estimated that aggregate scope and quality increased by 24 percent in the decade 1955–65. If the voters, through their representatives, choose to continue to improve aggregate scope and quality at an unchanged rate, state and local government general expenditures in 1975 would be 200 percent of 1965 expenditures under our workload and price assumptions. This is shown below:

$$\begin{array}{ccccccc} \text{Population-Workload} & \times & \text{Price} & \times & \text{Scope \& Quality} & = & \text{Expenditure} \\ 1.15 & \times & 1.40 & \times & 1.24 & = & 2.00 \end{array}$$

The increase in general expenditures of 100 percent compares with an actual change of 120 percent in 1955–65. Alternatively, if future general expenditures were to increase at this past rate, the expansion in scope and quality allowed for would be 37 percent compared with the rate of 24 percent in 1955–65. Another alternative is suggested by assuming that the improvement in scope and quality by each major public service program in the future period will proceed at rates equivalent to those experienced in a five-year period, 1955–60 or 1960–65, whichever is higher for each respective program. Using these assumptions, a projection of an overall improvement in scope and quality of 34 percent is indicated.

To complete our expenditure model, we must add supplementary contributions to employee retirement systems, other net expenditures, including profits from liquor stores and deficits in utility operations, and additions to working capital and sinking funds. Compared with an increase in actual total outlays of state and local funds of 124 percent between 1955–65, our projections indicate that the total outlays would grow by 94 percent between 1965–75 if the aggregate improvement of scope and quality estimated for 1955–65 were to continue through 1975; and by 111 percent if rapid but plausible rates of improvement were to take place corresponding to the rate for each program in either the five-year period 1955–60 or 1960–65, depending on which was greater.

We turn now to the CED model for revenue projections. The existing state and local tax structure will yield increasing revenues in response to economic growth. A number of recent studies on the response of various state and local taxes to economic growth (notably by Selma Mushkin, Dick Netzer, and the Tax Foundation) suggest that the existing tax structure of state and local taxes will yield increases in tax revenues at rates approximately as large as the increase in GNP. Reasonable projections concerning the rate of increase in the labor force, productivity and price trends suggest that national product will rise perhaps 80 percent over the 1965–75 decade. Thus, in 1975, state and local tax revenues are likely to be about 80 percent higher than in 1965, even if no change in rates and coverage were to occur. But if we include new sales taxes which were legislated but not yet put into effect by 1965, we project state and local tax revenues, with a fixed tax structure, to increase 86 percent between 1965 and 1975.

State and local governments also secure funds from charges and miscellaneous general revenue, federal grants-in-aid, and increases in debt. Paralleling the assumption that the tax structure is fixed, we assume a fixed system of charges which takes account of changes in costs and population-workload; the increase in federal grants-in-aid as implied in existing legislation; and a percentage increase in debt equivalent to that of general revenue from own sources. On this basis, we project that the total state and local receipts will increase 98 percent over the next decade.

These funds would permit a level of expenditures consistent with an improvement in scope and quality of 23 percent in the next decade, compared with 24 percent in the past. Thus, the aggregate rate of improvement in the scope and quality achieved in 1955–65 and financed with rapidly rising tax rates and coverage, could be maintained in 1965–75, even if no increase in tax rates or coverage were to occur.

This is not to say that tax increases will not occur, nor that the rate of improvement in government services need not become more rapid. Neither can we say that individual communities or states may not face grave fiscal difficulties.