outlook. Since the techniques have so improved, it is difficult for me to dispute the optimistic results that others have produced. I really have great respect, as I said, for the jobs they have done. I have a personal note here, though; 10 years ago when I made one of the first projections of this kind, I was roundly denounced by most of my colleagues for being much too optimistic about the prospects for State and local governments. And now I find myself to some extent on the other side of the question.

But I do agree that the existing State and local revenue systems in the aggregate will yield enough revenue even without increases in tax rates or adoption of new taxes to provide appreciable improvement in the scope and quality of public services in the decade or so ahead. This will occur even after taking into account the rise in basic workload—more pupils, college students, et cetera—and the rise in costs, chiefly salaries of public employees, of services of unchanged scope and quality.

Despite this, I think there is general agreement that there is almost sure to be some pressure for tax rate increases in most States and cities. That is, no one really doubts that the desired increase in the scope and quality of State-local public services will lead to expenditures rising more rapidly than the yield of existing State-local revenue systems. This is really a forecast of the political decisions. The likelihood is that there will be, in a generally affluent society, pressure to increase State and local tax rates, and that the increases will occur.

The disagreement that we have is really confined to the issue of just how large this kind of fiscal gap might be, how severe the pressure on State and local tax rates will be. If it is small and widespread, it presents no really serious implication for Federal policy at all, I would say. If it is large and generalized, the implications are quite the opposite. If it is serious in some places but not in others, the implications for Federal policy can be found only in an examination of the specific sources of the fiscal gap in the places in which it is a real problem. I think the latter is the general nature of the situation, that is, it is a very uneven geographic problem.

My own view is that there is an inherent downward bias in fiscal projections of future expenditures where such projections have been made for specific expenditure categories—this does not include the CED model, which is not a projection of expenditures, but rather an appraisal of how much latitude there will be for fiscal choices, as Mr. Kegan has said. This downward bias stems from the inevitable inability of forecasters to prophesy the effect of rapid social changes on the nature of the particular programs which make up the broad-expenditure categories we deal with when we make projections and look at the statistics that are available. I will give you an example of that in a moment.

This bias can be explained away. Our projections would have been right if we excluded one or another "special factor." But these "special factors" taken together are what have produced the continuous State and local tax rate increases that we actually observed. Therefore, I suspect that there will be in this sense a pressure on State and local taxing systems, and that there will be a real fiscal gap, and not a small one either, but the pressure will be highly uneven geographically.