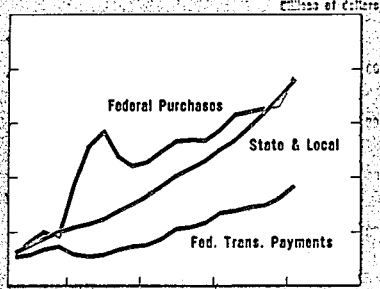
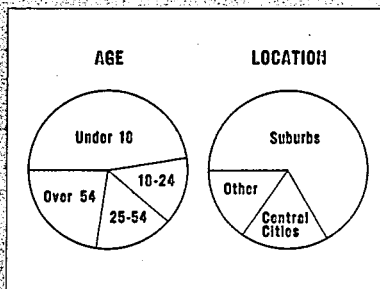


GOVT. EXPENDITURES**POPULATION CHANGE 1947-66**

Increased spending for the war in Vietnam was the principal source of the rise in total Federal purchases last year. Indeed, the postwar growth and fluctuations in Federal purchases have been dominated by defense requirements.

Growing pressures for nondefense government services, however, have generated substantial increases in other types of governmental spending. Thus, State and local government purchases have nearly doubled as a percentage of GNP in the past two decades, and these outlays now about equal Federal purchases. Federal transfer payments, which rose slowly in the first postwar decade, began accelerating thereafter—reflecting marked increases in social security benefits and in other social welfare programs.

These growing government expenditures can be traced, in part, to new demands created by the postwar change in population. Half of the postwar increase has been in the number of youngsters under 18 years of age. Educating this group has absorbed more than a third of State and local government spending and an increasing proportion of Federal outlays. And the large increase in the oldest age group has brought with it a sharp rise in government transfer payments.

The massive migration into suburbia has also had a major influence on economic developments. Suburban growth has required huge amounts of public and private funds to build the necessary social infrastructure. Though central cities have grown also, they have lost many higher-income families. Left with a deteriorating tax base and growing urban problems, the cities have had to seek outside help in meeting rising costs.

Rising demands for services are evident, too, in the pattern of consumer outlays.