

## Federal and Estimated State and Local Revenues and Expenditures for General Government, Fiscal Year 1938

### Total 1938 Transactions

During the fiscal year 1938 combined Federal and estimated State and local expenditures for general government, exclusive of debt retirement, amounted to \$17,470,000,000.<sup>1</sup> Of this total, \$1,005,000,000 consisted of net additions to social security reserves. The Federal Government accounted for \$7,626,000,000, state governments for \$4,223,000,000 and local governments for \$5,621,000,000 of expenditures. Inclusive of debt retirement, total general governmental disbursements aggregated \$18,199,000,000.

To pay for all general governmental disbursements, taxes are estimated to have furnished \$14,811,000,000, non-tax revenues \$1,181,000,000, borrowings \$1,869,000,000 and reductions in general fund balances \$338,000,000. Of the total \$15,992,000,000 revenue, the Federal Government collected \$6,242,000,000, the states collected \$4,202,000,000 and local governments \$5,548,000,000. These and the corresponding data for fiscal year 1932 are presented in Table 1.

<sup>1</sup>The term 'general government' as here employed excludes trust and investment fund operations, public utilities and other public service enterprises, unless these activities incurred deficits paid from general governmental funds. In such cases the amount of the deficits is included with and reported as a general governmental expenditure.

### Sources of Tax Revenue

It is estimated that total Federal, state and local tax collections in the fiscal year 1938 amounted to \$14,811,000,000. This represented \$114.09 per capita and amounted to 21.8 percent of the average of the estimated national income for calendar years 1937 and 1938.

The most important single source of tax revenue in the United States is the property tax. In 1938 this tax is estimated to have produced \$4,745,000,000, not including special assessments. Taxes on corporate income and corporate privilege and taxes on personal income were the next largest revenue producers. The corporation taxes, which included the net income, the capital stock and other corporate franchise taxes, produced \$1,762,000,000. The individual income tax yielded \$1,562,000,000. Automotive taxes, the liquor-tobacco group and taxes on payrolls each produced close to \$1,500,000,000.

For the Federal Government, the three most important sources of current revenue were the taxes on corporation income and privilege, on individual income, and on liquor and tobacco. Collections in 1938 from each of these three sources exceeded

# THE HISTORY OF THE UNITED STATES

The history of the United States is a story of growth and expansion. From a small collection of colonies on the eastern coast, it grew into a vast nation that spanned the continent. The early years were marked by struggle and conflict, as the colonies fought for their independence from British rule. The American Revolution was a pivotal moment in the nation's history, leading to the signing of the Declaration of Independence in 1776. The new nation then faced the challenge of building a government that would unite the diverse states and territories. The Constitution was drafted in 1787, providing a framework for the federal government. The years following the Revolution were a period of rapid growth and westward expansion. The Louisiana Purchase of 1803 doubled the size of the United States, and the Texas Revolution and the Mexican-American War of 1846-1848 further expanded the nation's territory. The Civil War, fought from 1861 to 1865, was a defining moment in the nation's history, as it resolved the issue of slavery and preserved the Union. The Reconstruction era that followed was a period of significant change and progress, as the nation sought to rebuild and integrate the newly freed African Americans. The late 19th and early 20th centuries were a time of industrialization and progress, as the United States emerged as a major world power. The Spanish-American War of 1898 marked the beginning of the nation's imperialist era, as it acquired territories in the Caribbean and the Pacific. The Progressive Era of the early 20th century was a period of reform and social change, as the nation sought to address the problems of industrialization and urbanization. The United States entered World War I in 1917, and emerged as a global superpower. The interwar period was a time of relative peace and prosperity, but it was also marked by the rise of totalitarianism and the threat of a new world war. The United States entered World War II in 1941, and emerged as the dominant power in the world. The Cold War era that followed was a period of tension and conflict between the United States and the Soviet Union. The Vietnam War was a major conflict of this era, and the United States eventually withdrew from the country. The 1960s and 1970s were a time of social and cultural change, as the nation grappled with issues of race, civil rights, and the environment. The United States entered the Persian Gulf War in 1990, and emerged as a global superpower. The 21st century has been a time of rapid technological advancement and global interconnectedness, as the United States continues to play a leading role in the world.

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a billion dollars. For state governments, the automotive taxes were by far the most important. In 1938 this group, including motor fuel taxes, motor vehicle registration fees, and drivers' licenses (excluding the personal property taxes on automobiles) yielded a total of \$1,163,000,000. Next in importance was the sales and other excise group, which produced \$717,000,000. In addition to the general sales taxes, this category includes the special taxes on amusements, soft drinks, utilities, oleomargarine, chain stores, severance of natural resources, stock transfers, as well as a large variety of business licenses. The predominant source of local revenue is the property tax. In 1938 this tax yielded \$4,531,000,000. Occasional local general sales taxes and widely utilized local licenses yielded an estimated revenue of \$302,000,000.

The extent to which the various tax sources were utilized by the Federal, state and local governments during the fiscal year 1938 is summarized in Table 2.

#### Purposes of Expenditures<sup>2</sup>

Some public funds are twice disbursed, once in the form of grants or loans to other governmental units and again by the receiving units for specific governmental functions. In fewer instances, the same funds are disbursed three times. To avoid multiple counting, the expenditure data for fiscal year 1938 are here shown on

<sup>2</sup>The classification of expenditures here used varies from and is not as detailed as classifications employed in the reports of the Bureau of the Census and elsewhere. The differences are necessitated by the inadequacy of the data available for estimating purposes. The class "all other" comprises the aggregate of all the unclassified expenditures.

two bases. (See Table 3.) The first includes expenditures from the various governments' own sources and, therefore, does not include those expenditures which were financed from sums received from other units in the form of grants, loans, or shared taxes. Transfers to other units are counted as expenditures of the granting or lending unit. The alternative grouping of expenditures reports the various governments' expenditures for their own functions without regard to the origin of the funds. It, therefore, excludes all funds not spent directly but transferred to other units in the form of grants, loans, or shared taxes. The combined totals for all governments are, of course, identical under the two classifications.

The most important expenditure category for all American governments in the fiscal year 1938 was relief, welfare, and social security. It accounted for an estimated \$3,085,000,000. This includes funds expended for work relief programs which in part were devoted to highways, public buildings, and other functional purposes. Net additions to social security reserves amounted to an additional \$1,005,000,000. Next in importance came education, highways and streets, interest, and national defense, including payments toward veterans and their dependents. The Federal Government's expenditures from its own sources (not including debt retirement) amounted to \$7,626,000,000. The corresponding estimated state and local totals respectively were \$4,223,000,000 and \$5,621,000,000.<sup>3</sup>

<sup>3</sup>The term "debt retirement," as here used, refers not to the principal value of bonds canceled or paid off but to the budgetary payments into sinking funds and for retirements of serial bonds and notes with a maturity in excess of one year.



In the case of the Federal Government, the most important single expenditure was for relief, welfare and social security. The largest state expenditure was for highways, while the largest single local expenditure was for education.

In 1938, an estimated \$2,237,000,000 was transferred among the various public divisions. For the sake of brevity, these transfers are termed "grants," although they include, in addition to grants, state-administered taxes shared with local units and Federal loans. It should be specifically noted that Federal relief and recovery expenditures for work relief programs under the Works Progress Administration are considered direct Federal expenditures and not grants. These sums were disbursed directly by the Federal Government without clearance through state and local treasuries.

Federal expenditures in the form of grants to state governments amounted to \$633,000,000; those to local governments amounted to \$172,000,000.

Note on sources utilized: The sources of information utilized included published reports of the United States Government, unpublished data from Federal departments administering grants to states and localities, published and unpublished reports of Federal research agencies, and reports of private research agencies. The statistics of Federal receipts and expenditures were derived from the Annual Reports of the Secretary of the Treasury for fiscal years 1932 and 1938. State and local statistics for 1932 were obtained from Bureau of the Census, Financial Statistics of State and Local Governments, 1932. State tax and revenue statistics for 1938 were obtained from the U. S. Office of Education, U. S. Bureau of Public Roads, the Tax Policy League, and the Distilled Spirits Institute. Local tax and revenue statistics were estimated on the basis of the financial reports of a number of local units which, in 1932, accounted for more than one-third of the total local revenue in the United States. The Bureau of the Census annual reports of Financial Statistics of Cities and the comparative city tax rates, prepared annually by the Detroit Bureau of Governmental Research,

The bulk of these totals was accounted for by grants for education, highways, and public welfare purposes. State transfers to local units, mostly for these same purposes are estimated to have amounted to \$1,400,000,000. Local payments to states, comprising sums advanced locally for state highway construction and state public assistance programs, amounted to \$32,000,000.

In view of the numerous transfers from the Federal Government to state and local governments and from state governments to local governments, the division of total governmental expenditures among the three governmental levels, after adjustment for these transfers, differs substantially from the division on the basis of expenditures from the various governments' own sources. In 1938, after adjustment for intergovernmental transfers, local expenditures were more than twice as large as state expenditures and exceeded Federal expenditures by approximately \$300,000,000. (For the details see Table 3.)

afforded a means for verifying the estimates. Data on state and local borrowings, interest, and debt retirement were derived from the Treasury Department's annual compilations of tax-exempt securities. State and local functional expenditures were initially estimated on the basis of the Bureau of the Census' reports for 1937. For the three most important categories, (1) education, (2) highways and streets, and (3) relief, welfare and social security, expenditure statistics for 1938 were obtained from other Federal departments.

For purposes of estimating total state and local expenditures, it was assumed that expenditures amounted to the sum of (1) current revenue collections, (2) depletion of general fund balances, and (3) the net excess of bond issues over bond retirements. In 1938 the Federal Government depleted its general fund balances by \$338,000,000. It was assumed that states and local governments made no important use of balances. Such changes as occurred in the balances of states and local units in the course of the fiscal year are believed to have neutralized one another.



Federal and Estimated State and Local General Government Financial Transactions,  
Fiscal Years Ending in 1932 and 1938

(In millions of dollars)

	Federal		State		Local		Total		Percent Change
	1932	1938	1932	1938	1932	1938	1932	1938	
<b>1. Revenues</b>									
(a) Tax revenue.....	1,889	6,034	1,701 1/	3,857	4,657	4,920	8,247	14,811	+79.6
(b) Non-tax revenues.....	117	208	307	345 2/	789	628	1,213	1,181	- 2.6
(c) Total revenue.....	2,006	6,242	2,008	4,202	5,446	5,548	9,460	15,992	+69.0
<b>2. Borrowing transactions</b>									
(a) New borrowing.....	2,941 3/	1,449 4/	206	156	567	602	3,714	2,207	-40.6
(b) Debt retirement.....	413	65	110 5/	135 5/	523	529	1,046	729	-30.3
(c) Net borrowing.....	2,528	1,384	96	21	44	73	2,668	1,478	-44.6
<b>3. Expenditures (1c plus 2c).....</b>	<b>4,534</b>	<b>7,626</b>	<b>2,104</b>	<b>4,223</b>	<b>5,490</b>	<b>5,621</b>	<b>12,128</b>	<b>17,470</b>	<b>+44.0</b>
<b>4. Disbursements (inclusive of debt retirement).....</b>	<b>4,947</b>	<b>7,691</b>	<b>2,214</b>	<b>4,358</b>	<b>6,013</b>	<b>6,150</b>	<b>13,174</b>	<b>18,199</b>	<b>+38.1</b>

Note: Revenues exclude grants and shared taxes. Expenditures exclude payments from grants and shared taxes received and include payments of grants and shared taxes to other jurisdictions. Borrowing is the excess of disbursements over revenues and includes reductions in general fund balances.

- 1/ Includes \$59,000,000 of income and inheritance taxes allotted to local governments.
- 2/ Includes \$45,000,000 of liquor store profits transferred to State general funds.
- 3/ Includes \$56,000,000 reduction in general fund balance.
- 4/ Includes \$338,000,000 reduction in general fund balance.
- 5/ Includes \$12,000,000 of State funds transferred to local governments for debt redemption.

Federal and Estimated State and Local Tax Revenues Fiscal Year Ending in 1938

(In millions of dollars)

Source	Federal	State	Local	Total	
				Amount	Percent
Customs.....	359	-	-	359	2.4
Property.....	-	214	4,531	4,745	32.0
Individual income.....	1,313	249	-	1,562	10.6
Estate, inheritance and gift.....	417	145	-	562	3.8
Corporate income and privilege.....	1,449	313	-	1,762	12.0
Pay rolls.....	743	707	-	1,450	9.8
Motor fuel and vehicle.....	293	1,163	25	1,481	10.0
Liquor and tobacco.....	1,136	298	32	1,466	9.9
Sales and other excises.....	287	717	302	1,306	8.8
Other tax revenues.....	37	51	30	118	0.7
<b>Total.....</b>	<b>6,034</b>	<b>3,857</b>	<b>4,920</b>	<b>14,811</b>	<b>100.0</b>
Per capita tax revenues 1/.....	\$46.48	\$29.71	\$37.90	\$114.09	
Tax revenues as percent of national income 2/.....	8.9%	5.7%	7.2%	21.8%	

- 1/ On the basis of the estimated population (129,818,000) as of January 1, 1938.
- 2/ On the basis of the average (\$67,923,000,000) of the estimated national income for calendar years 1937 and 1938.

Federal and Estimated State and Local General Government Expenditures  
Fiscal Year Ending in 1938

(In millions of dollars)

Function	Expenditures from own sources 1/				Intergovernmental grants 2/				Expenditures for own functions 3/			
	Federal	State	Local	Total	Federal to State	Federal to Local	State to Local	Local to State	Federal	State	Local	Total
1. Education.....	177	818	1,418	2,413	58	102	628	-	17	248	2,148	2,413
2. Highways and streets.....	260	900	510	1,670	219	24	300	23	17	842	811	1,670
3. Agriculture and natural resources 4/.....	1,000	73	3	1,076	27	-	2	-	973	98	5	1,076
4. National defense.....	1,610	12	-	1,622	2	-	-	-	1,608	14	-	1,622
5. Police and other protection.....	44	138	566	748	-	-	-	-	44	138	566	748
6. Relief, welfare, and social security...	2,182	637	266	3,085	260	-	315	9	1,922	591	572	3,085
7. Net additions to social security reserves 5/.....	489	516	-	1,005	41	-	-	-	448	557	-	1,005
Social security reserves.....	(574)	(707)	-	(1,281)	(41)	-	-	-	(533)	(748)	-	(1,281)
Withdrawals included in (6) above..	(85)	(191)	-	(276)	-	-	-	-	(85)	(191)	-	(276)
8. Health and hospitals.....	36	270	265	571	16	-	7	-	20	279	272	571
9. Interest.....	926	121	592	1,639	-	-	-	-	926	121	592	1,639
10. All other.....	902	738	2,001	3,641	10	46	136	-	846	612	2,183	3,641
<b>11. Total expenditure.....</b>	<b>7,626</b>	<b>4,223</b>	<b>5,621</b>	<b>17,470</b>	<b>633</b>	<b>172</b>	<b>1,388</b>	<b>32</b>	<b>6,821</b>	<b>3,500</b>	<b>7,149</b>	<b>17,470</b>
12. Debt retirement.....	65	135	529	729	-	-	12	-	65	123	541	729
<b>13. Total disbursement, including debt retirement.....</b>	<b>7,691</b>	<b>4,358</b>	<b>6,150</b>	<b>18,199</b>	<b>633</b>	<b>172</b>	<b>1,400</b>	<b>32</b>	<b>6,886</b>	<b>3,623</b>	<b>7,690</b>	<b>18,199</b>

Note: The classification of expenditures here used varies from and is not as detailed as classifications employed in the reports of the Bureau of the Census and elsewhere. The differences are necessitated by the inadequacy of the data available for estimating purposes. The class "all other" comprises the aggregate of all the unclassified expenditures.

- 1/ Excludes expenditures from grants received from another jurisdiction.
- 2/ Includes shared taxes and comprises part of "Expenditures from own sources."
- 3/ Includes expenditures from own sources and from "Intergovernmental Grants" received, but excludes grants paid other jurisdictions.
- 4/ Includes such items as flood control, reclamation, river and harbor improvement and Panama Canal expenditures.
- 5/ Interest on invested social security reserves is included in item (9) below.