

The Chicago Skyway is a $7\frac{3}{4}$ -mile facility, essentially a toll bridge, extending from the western terminus of the Indiana Toll Road into Chicago. It was financed by the issuance of \$101 million revenue bonds, payable solely from net revenues. In one instance the city of Chicago advanced \$2 million as a loan to prevent default, but the interest coupon due July 1, 1963, was not paid until October 25 of that year. Subsequent coupons have been delayed, and early in 1966 the city was behind in the payment of three coupon maturities. The skyway, now earning about 0.57 time interest requirements, suffers from competition from federally financed alternate routes and additionally bears the burdens of its high cost and low traffic generating capacity.

Other toll facilities which have suffered temporary default in the postwar period include two Nebraska-sponsored bridges across the Missouri River. In one case the approach routes were inadequate, in another the approach was nonexistent, the bridge having been built over dry land after the river shifted its course. Subsequent, but delayed, correction of the river's course cured the fundamental difficulty. A causeway in Florida suffered payment difficulties because of lack of development at one end, but this was eventually cured with the economic development of the area. Two toll bridges in West Virginia have also suffered payment difficulties because of limited liability financing, low usage, and economic depression in the local area.

In one State the basic law governing special district financing proved inadequate in preventing financial abuse and led directly to several instances of default. The charge was made, and probably justifiably, that "tax-exempt bonds are being used to give windfalls to promoters by paying for improvements which formerly have been considered an appropriate cost of a developer." This condition is not unique to this one State, and in varying degrees a number of States potentially face future difficulties from overly permissive legislation governing issuance of municipal bonds.

CONCLUSION AND OUTLOOK

A complete listing of local government bond defaults in the United States in the postwar period is not economically obtainable. A reasonable sampling, however, shows an excellent record for this type of security. Where there have been payment difficulties two major causes appear to prevail. One, there has been poor planning of the facilities constructed relative to the actual need for them. Two, judgment has been defective in the selection of the method of financing. The use of a limited liability obligation to finance economically marginal projects has been the cause of most difficulties. Tax-supported, general obligation financing has an unsurpassed record in the postwar period of prosperity. In a few cases default has resulted from allegedly fraudulent actions, but these are relatively few.

There are in the United States a number of State and local government bond issuers of a marginal nature, including general obligation issuers. These could be affected with financial stress and probable default in the event of a recession of any severity. Assuming the continuation of the general level of prosperity prevailing in the postwar period, however, difficulties of this kind appear minimal. More likely, municipal defaults will continue as they have in the postwar