

costing the full 5%, and just this would be true if operations were unprofitable. Nevertheless, Table V suggests that municipal interest payments are not relatively cheap. Furthermore, principal must be repaid as well as interest.

Almost every real estate taxpayer knows that municipal borrowing is not painless. Uncle Sam can borrow and refund at maturity and, thus, carry a constantly rising debt provided it does not rise too fast. (The postwar rise of publicly held Treasury debt has in fact been very moderate.) States and municipalities on the contrary usually sell serial issues and start repaying principal next year. These principal repayments may come to 3% or 5% of the new debt and total debt service thus may thus run 6% to 9% a year on the sum borrowed. In contrast, utility companies borrow at lower net cost for 20-30 years and enjoy the use of the money for this full period of time, taking care only to provide thru depreciation for ultimate repayment.

Thus, a new school, or a new sewer costs taxpayers dearly, and they know it. No doubt, this explains why municipal debt has not grown much faster than it has and why it probably will not soar.

A basic rule of economics is that "human wants are infinite." Nobody thinks of estimating next year's Gross National Product by adding up everything that everybody will want. Similarly it can be said that "Capital requirements are infinite," or that "State and municipal requirements are infinite." The determining factor of the volume of new facilities that will be created is not need; the limiting factor always is somebody's ability and willingness to finance new facilities and somebody else's ability and willingness to service the debt. Facilities are very expensive. Taxes are already high. Construction on credit costs vastly more than pay-as-you-go construction. Therefore, in explaining the moderate volume of state and municipal financing in recent years and in estimating its future volume, a catalogue of needs or wants (while useful) is