URBAN FISCAL PROBLEMS AND PROSPECTS

In recent years, as throughout the 20 years following World War II, local and State government public expenditures have been increasing more rapidly than has the Nation's total output and income. (See table 1.) Public expenditures in urban areas have always been significantly higher, in relative terms, than those in nonurban areas, and recently have been increasing slightly faster, in dollar terms, within the urban areas. This is to be expected, since nearly all the Nation's population growth has been occurring in urban areas. But urban population growth does not explain the rate of increase in public spending. Indeed, the increase in *per capita* local government expenditures in metropolitan areas was more rapid than the increase in *aggregate* gross national product between 1957 and 1962.

Perhaps most striking, public expenditures in the larger central cities have been climbing steeply, despite their losses or slow growth in population. In the most recent 4-year period for which data are available, expenditures of municipal governments in the larger cities rose by 27 percent, as shown in table 1—about three-fourths as rapidly as expenditures of all other local governments combined.

To be sure, substantially more external aid to central cities in the provision of public services has been forthcoming in recent years. State and Federal aid to central city governments has risen considerably more rapidly than have central city expenditures. Also, the *direct* role of State governments in the provision of public services in and for the central cities has expanded considerably. Since the passage of the Interstate Highway Act in 1956, the States have been far more active in the construction of central city highways than previously. In a growing number of States, the State government is directly involved in urban mass transportation, in park and open space activities, and in housing programs. In some States in the Northeast, expansion of State higher education programs has had an important effect on central city populations. Desipte all this, the taxes imposed by central city governments, collected from static populations and slowly growing central city economies, continue to rise sharply.

The explanation for rising public expenditures in urban areas is not hard to find. In the central cities, local-tax-financed outlays for services directly linked to poverty (in the health and welfare fields) have not been static; the central cities of the 12 largest metropolitan areas account for one-eighth of the country's population, but nearly two-fifths of health and welfare outlays financed from local taxes. For central city governments, the problems associated with poverty and race are by far the most urgent of public problems.