large differentials in State-local tax burdens, with the older central cities having markedly unfavorable positions.[17] A more recent study of New York City's finances provides fairly clear evidence that these major business tax differentials actually have stimulated decentralization of economic activity away from the central city.[18]

Moreover, if the tax differentials are unfavorable to central city locations, this reinforces rather than works against the powerful economic forces making for decentralization of economic activity from central cities to suburbs. The central cities have been losing out relatively (and in some cases absolutely) with respect to manufacturing and wholesale distribution of goods and with respect to population-serving activities (which follow population out to the suburbs). Tax differentials may trigger decisions to move away from the central city which might have occurred in any case, but at a later date. But this acceleration of locational shifts is a loss to the central cities.

Of course, not all economic activities are equally susceptible to tax differentials. For one thing, some kinds of activities have heavy requirements for special types of public services, which higher central city taxes may buy. Then, too, there will be no effect on location if the tax disadvantages do not exceed the special advantages of central city locations—for example, for corporate headquarters in large-city central business districts—or if there is no choice at all, typically the case for banks, public utilities and newspapers.

Are actual property taxes on business property enough higher in central cities so that they do in fact stimulate or contribute to migration of economic activity from central cities to the outlying parts of metropolitan areas? It is difficult to assemble conclusive evidence on this, but there is some fragmentary evidence which supports a positive answer to the question.

Consider the data in table 12. The last column of the table presents estimates of the differentials in effective tax rates for *all* types of taxable property for 24 large central cities and their immediately adjacent suburban hinterlands. There are only four cases in which suburban effective tax rates are clearly above those in central cities (5 percent or more higher) and another three cases in which effective rate levels are roughly the same in central cities and suburban territory. In the remaining 17 cases, central city tax rates are substantially higher; they are nearly twice as high as in suburban areas in such older central cities as Newark, Cincinnati, and Baltimore.

[17] Alan K. Campbell, "Taxes and Industrial Location in the New York Metropolitan Region," *National Tax Journal*, vol. II (September 1958), pp. 195–218.

[18] See the papers by Leslie E. Carbert, James A. Papke, William Hamovitch, and Henry M. Levin, in New York University Graduate School of Public Administration, *Financing Government in New York City* (1966). In this case, nonproperty taxes appear to be the real culprits.