financing procedure be clear and visible, so that intelligent choices among alternative methods can be made and subsidy elements can be clearly identified.

Let me concentrate here on those spending needs that are likely to be financed, at least in the first instance, largely through the issuance of debt. rather than by tax funds. Clearly, a major share of the emerging needs will have to be financed in this way. That does not mean, of course, that the Federal share can be met without a significant contribution from the tax side. This tax-financed contribution may come about in the form of debt service grants, involving payments of interest or of capital—or both— on locally issued debt; it may entail outright tax-financed Federal subsidies granted for projects that also require large public borrowing; it may result simply because States and localities can issue tax-exempt securities.

How large are the capital needs of the types considered here that are likely to arise over the next few years? How can they best be financed? And what impact is such financing likely to exert on capital markets generally?

The magnitude of the task

In 1947, net State and local debt was less than $15 billion. By 1957, it had grown to $47 billion; and, last year, it stood at $113 billion. A mere continuance of this growth trend would raise the level of outstanding State and local debt ten years from now my about $120 billion—to a level of $240 billion.

But this is only part of the story. On top of the normal growth projected, it appears that there will be a very substantial increase in State and local debt as a result of new and expanded programs involving Federal financial assistance. Estimates of the likely magnitude of this increase vary widely, not only because the costs of different programs to solve our urgent social and environmental problems are often very difficult to project, but also because of different assessments as to how fully the States and localities will actually seek to meet these problems.

Let me just cite one type of calculation that illustrates this point. In 1968, the Congress enacted, or came close to enacting, provision for Federal capital assistance in the form of debt service grants for a series of new or greatly expanded State and local programs. It is useful to look at the Congressional authorizing legislation for such assistance and then to calculate what it implies for the growth of State and local debt financing.

For example, Congress authorized additional debt service grants for public housing of $150 million a year for the next two years. This will make possible a total of about $3 billion a year in additional local debt financing for this purpose. If one assumes that additional Congressional authorizations will be maintained at the same level over the next decade, the total added debt from this program alone would come to $30 billion. I am not including projected Federal assistance to low income housing under this heading—this would be a much larger sum, since it would encompass private as well as public housing.

Using similar calculations for three other program areas on which Congress completed action in 1968, one finds a potential net increase in State and local debt over the next decade of about $20 billion for college housing, academic facilities, and the vocational education program, although some of this will presumably be for private nonprofit institutions.

The debt service grant approach was also authorized for the anti-water pollution program in legislation which passed both the House and the Senate this year, though it did not survive the adjournment rush. Assuming a continuation of the annual level of new dollar authorizations in the enabling legislation, the potential increase in State and local debt for these purposes over the next decade is $40 billion.

In addition, the Senate passed a bill in 1968 which authorized debt service grants on obligations issued by State and local bodies, as well as nonprofit institutions, for hospital modernization. The needs in this area have been estimated at over $10 billion.

Thus, assuming that the Congress follows through on the debt service grant approach in just these six program areas, the potential increase in State and local debt over the next decade is about $100 billion.

To this amount, one would need to add new financing requirements for mass transit, other urban redevelopment activities, municipal airports, anti-air pollution efforts, and other areas in which Federal programs have been established and are expected to be increased. Taking all this into account, it is not at all difficult to visualize a total rise in State and local debt over the next ten