The Plight of the Cities [With Comments]
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Source: *Proceedings of the Academy of Political Science,* Vol. 28, No. 4, Municipal Income Taxes: An Economic Evaluation, Problems of Administration, Alternative Sources of Revenue (Jan., 1968), pp. 1-18
Published by: The Academy of Political Science
Stable URL: https://www.jstor.org/stable/3700921
Accessed: 23-01-2022 20:45 UTC

The Plight of the Cities

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In the past fifteen years all segments of the American nation have gradually come to realize that our society has drifted into a new pattern of settlement here in North America characterized by dense concentration of people and their economic activities into a few metropolitan centers. Our ancestors did not "plan it that way." In fact, our ethic was anti-urban, our vast empty continent was laid out in small, individually owned homesteads as a result of conscious national policy, our laws were against bigness, and our definition of the good life was strongly individualistic. We longed for elbow room, privacy, small neighborhoods, town government, a local militia, no foreign entanglements, a minimum of officialdom, and a strictly limited central government.

Yet here we are in the late twentieth century with scarcely 200 years of history behind us, faced by a massive loss of population from the soil, high concentration in a few big sprawling urban complexes, increasingly integrated economic enterprises in production, distribution, finance and communication, the collapse of local governmental institutions, a great military establishment, world power, and a burgeoning central government of, for us, unprecedented powers. We are certainly well into a new chapter of our history, which is, on the domestic front, the metropolitan age.

Fortunately, though belatedly, we have passed the first stage of indecision as to "the metropolitan problem." We now know that the problem exists; that it will not go away by itself; that the market mechanism, which brought on this new pattern of settlement, will not "clean itself up" and make the metropolitan complex a useful and satisfying human institution. We have now decided to do something about it. We have undertaken many unrelated, often conflicting, individual "reforms" in the hope of somehow finding a workable set of solutions. A few imaginative and adventurous spirits have gone so far as to define broad goals and to reach for comprehensive, interrelated institutional cures. They seek to understand the urban system, and to make that system workable.

Our discussion will focus on one aspect, namely, the fiscal. It will thus be our limited assignment to canvass the needs and the alternatives facing our metropolitan centers in dealing with their budgetary requirements in the period that lies immediately ahead.

Demographic Factors

The underlying facts of the situation group themselves into a few major categories. First are the demographic elements. The national population continues to expand, mostly by the excess of births over deaths. While there are ups and downs in the natural increase from year to year, influenced by war and job uncertainties, we appear to be headed for a national growth rate of approximately 1.5 per cent per year over the immediate future. The larger urban centers, however, capture more than their share of this growth by internal migration on this continent, so that their growth will be more nearly at the annual rate of 2.2 per cent. While the larger urban regions continue to grow, the growth estimated for the period from 1962 to 1975 is at a slightly lower rate, reflecting a progressive equilibrium in the total continental system. But in the foreseeable future, nothing can stop the increasing significance of the metropolitan areas for our nation and its culture.

The current problems and future needs of the great cities begin with this growing population and with the internal distribution and characteristics of that population. We will soon have three-quarters of our total population in great cities.

The shortest and most revealing tabulation mirroring the characteristics of our metropolitan population appeared in the January 1967 "Economic Report to the President."

TABLE 1
Characteristics of Population by Area
(March 1966)

Characteristics	*All Areas*	*Metropolitan* *Central Cities*	*Metropolitan* *Outside Central Cities*	*Non-Metropolitan nonfarm*	*Farm*
Population (millions)	191.5	58.3	64.3	57.1	11.8
(percent)	100.0	30.4	33.6	29.8	6.2
Percent of Population					
Children under 18 Years of Age	36.4	33.6	37.6	37.6	38.7
Aged (65 years & over)	9.4	10.4	7.3	10.6	9.9
Non-white	11.8	21.6	4.4	9.4	12.4
Poor	17.1	18.2	9.6	22.4	26.5
Median Family Income (Dollars)	6,569	6,697	7,772	5,542	3,558

Based on Table 25, "Economic Report to the President," January 1967, p. 155.

Already over half of this metropolitan population lives in the suburbs, not in the central cities, as Table 1 shows. In fact the central cities, as defined and constrained by their established legal boundaries, are now static or declining in size, though this may change somewhat as they modernize their multiple dwellings and community services, and as the suburbs themselves begin to fill up.

On the basis of age, the metropolitan areas have generally the same proportion of children as the rest of the country, but the central cities have less than their share, while the suburbs have distinctly more. The metropolitan areas have less than their share of those who are sixty-five and above, but the central cities have slightly more and the suburbs distinctly less. Thus the small villages and farms of America have more than their share of the older folks. It is the younger people between eighteen and thirty who migrate.

The racial pattern of the metropolis is also significant. The metropolitan areas had 63.2 per cent of the total population of the country in 1964. This percentage is rising, as has been said, almost entirely in the suburbs. At that time the nonwhites in the big cities were 68.1 per cent of our total nonwhite population. This had risen to 69 per cent in 1966 as indicated in the statistics released by the President on November 3. For Negroes alone, the concentration in the city centers is even more extreme. One-eighth of the total population in 1966, Negroes constituted one-fourth of the people in cities of a million or more and only 4 per cent of the suburbs.

The poverty differentials are highly significant. In 1964, 34.3 million persons were listed as "poor" in the United States under the SSA index, which placed the "poverty line" at $3,150 for a family of four in 1964. This line is lower for smaller families, detatched individuals and rural populations, and was slightly less than half the comparable median income of all families of the same size in the U. S. Though debatable, this moving "line" is about as good an index of American poverty as can be suggested for urban residents. It is only a third of the $10,195 "moderate" cost-of-living budget computed for 1966 for the New York-New Jersey region in the figures released by the U. S. Bureau of Labor Statistics on October 25, 1967.

The concentration of nonwhite poverty in metropolitan areas is well advertised. The statistics do not bear out the popular opinion in full. The proportion of nonwhite poor in the central cities is somewhat less than the proportion of nonwhite poor in other areas. However, there is within the cities a marked concentration of nonwhite poor in limited residential areas, the ghettos, with a distinctly larger proportion of children under six in poor families, and of unemployed youth. This disproportion is also true, but to a lesser degree, of the poor white population.

The proportion of nonwhite families living in city poverty areas declined from 77 to 62 per cent between 1960 and 1966. But the percentage of those nonwhite slum families with incomes below the poverty level has remained constant at about 36 per cent. However, these general averages, though important, do less than justice to specific areas. Sample studies of hard-core poverty areas suggest that conditions there have failed to improve or have become worse.

In New York City, for example, the percentage of nonwhite slum families with incomes below the poverty line increased from 28 to 35 per cent between 1960 and 1965, in a period of real national prosperity and increasing employment.

In the Hough area of Cleveland between 1960 and 1965, the proportion of "poverty" families increased from 31 to 39 per cent; the number headed by women increased from 23 to 32 per cent; the median family income declined from $4,732 to $3,966. These changes were influenced in part by out-migration.

In the Watts area of Los Angeles, the percentage of poverty families held at 43 per cent; the number headed by women increased from 36 to 39 per cent; median income hardly changed; deteriorated housing increased from 14 to 21 per cent and rents were higher. Unemployment rates in the slums in 1966 were generally 9.3 per cent, compared with a national average of 3.5 per cent. The preceding data come directly from the President's recent report.

The problem of nonwhite poverty and discrimination is extremely serious; however, this must not blind us to the fact that there are in the United States two-and-a-half times more poor whites than there are poor nonwhites, and that there are now over a million more poor whites in our large central cities than there are nonwhites. As Gunnar Myrdall has recently reminded us, there is danger in our thinking that poverty is almost exclusively a color problem. It is time to recognize that the central poverty problem is created by our economic and social system, not exclusively by color.

Thus poverty has become a major metropolitan problem not because there is a greater proportion of poverty in big central cities, but because social problems are more acute and visible when brought together in one place, because men can do less for themselves individually in big cities, and because men act in concert politically and otherwise only when they are associated and led. Evidently, pressure increases the heat, as in thermodynamics. As we consider the plight of the cities, it is thus clear that the problems of poverty we see in the metropolis now are not local problems created by local conditions. They are national problems created by the national economic and social system, a total system which is nonetheless immensely successful. These undeniable shortcomings of the system come to light in the metropolitan cities chiefly because of national mobility and because the densely packed urban setting makes them visible and politically potent.

Another characteristic of uban population is its high mobility, especially in recent decades to which reference has just been made. There has been an extraordinary shift from the South to the urban regions of the Northeast, Midwest, and Far West and within the urban regions, from the old central cities to the suburbs. It was estimated by competent authorities that 850,000 persons would move during the year 1967 from the farms chiefly into five Northern and Central metropolitan areas. These happened to be predominantly low-income Negroes with low educational opportunities and few industrial skills.

A factor in these shifts is the change in the location of employment both in manufacturing and in certain other economic processes. In 1950, some 60 per cent of all employment in the country was in the metropolitan areas. This rose to 69 per cent in 1962, and is expected to go to 70 per cent by 1975.

As seen in Table 1 the median family income in the big cities is twice as high as it is on the farm. These differences have had a powerful push-pull effect on population movement. Those who move out are not the poorest of the poor, nor the least educated, nor the chronically unemployed, nor the worst housed. Quite the opposite; but, by the standards of the receiving areas they may appear so in their new environment. However, the differential standards of welfare administration and relief payments in the metropolitan areas undoubtedly attract some, especially where they already have relatives on relief or in subsidized housing in the cities. For the future, both of these push-pull forces will be lessened by increasing regional equalization. A very marked reduction of the income differentials took place during and immediately after the Second World War, but the differentials persist and the magnetism of the major population centers is still strong.

While the actual and anticipated income differential draws workers to the urban areas, it is to be noted that the employment distribution within the metropolis is also shifting as the better paid industrial employment tends to desert the old city center and migrate to the outlying "factory suburbs." In seven large metropolitan areas, cited by the 1967 "Economic Report to the President," 975,000 new jobs became available in the suburban rings in the period 1948-62, while the central cities of the same metropolitan areas gained only 60,000 new jobs, and these were in finance, insurance, real estate, and "services." The central cities lost 150,000 jobs, while the suburbs gained 250,000. The areas of high concentration of low-paid workers, the slums, are thus left with decreasing job opportunities, both on account of skill deficiencies and the high cost of transportation.

While these per-capita income levels include all incomes, of course, they do not display the highly advertised excess of individual high incomes in the larger urban concentrations. Most of the incomes in excess of $15,000 per year, for example, are found in the metropolitan areas, especially in the suburbs of the big cities.

Tax-Paying Capacity

While it would be disastrous to overlook the very special poverty problems of the metropolis, it must not be forgotten that these concentrations of need in the central cities are matched by the suburban and city concentrations of wealth and taxpaying capacity. This is shown by three sets of facts. First is the preponderance of real estate values and other evidences of accumulated wealth in the large urban complexes, especially at the business and manufacturing centers and in the wealthy suburbs.

A better index is found, however, in the known spending patterns of the metropolitan areas. The 1967 "Survey of Buying Power," conducted by *Sales Management* showed that metropolitan populations have substantially more than their share of buying power. The only categories where they fall behind the non-metropolitan areas in retail spending, as in lumber, hardware, and gasoline sales, obviously reflect the pattern of city life.

It appears that the metropolitan areas now have 73 per cent of the population, 73.8 per cent of the households, 76.8 per cent of the retail buying power, and 79.6 per cent of the personal net cash income after paying taxes, including the markedly progressive federal component. The metropolitan areas have not only a higher average income, but have more than their share of upper bracket incomes, a percentage which rises from step to step. These are facts to be remembered as we develop our tax policies.

In the meantime, the cost of living in the urban centers is substantially higher than it is on the farms and in the smaller towns and cities, except where they are in the orbit of a metropolis. This is especially true for the middle income group and for the poor, partly because there are so few opportunities in the big city to shop for markedly cheaper housing, food, and clothing than appear in the standard budgets used by the statistician.

A part of the difference in costs is made up of added "congestion costs" in the big cities where costs generally exceed the economies of scale. A considerable part of the excess is, however, due to distinctly higher standards of public and private services maintained *and inescapable* in the large urban centers. The big cities move continually toward a 100 per cent cash economy, while rural areas and small towns continue with large elements of barter and what Beardsley Ruml called "self-barter," i. e., "do-it-yourself."

The civilized life and "bright lights" of the city cost more, and are worth more to most people than the harder and less exciting life of the country and the small town. While these values are debatable, in view of the discomforts, indignities, regimentation, and frustrations of the big city life, the fact remains that the people go there *and voluntarily remain* in and around the metropolitan areas, though you and I know how irrational they are!

Urban crime is but one differential, though it is symptomatic of a fundamental difference in the texture of the big city. The annual FBI reports based on their uniform crime statistics show that crimes reported to the police are always substantially higher in urban centers than in lesser cities and rural areas. For 1966, the crime index per 100,000 population in the SMSA's was 2,068.1, while it stood at 1,080.1 in the smaller cities and at 623.1 in the rural areas. This ratio was true of burglaries and housebreaking, for example, but not of murders, the index for which was about the same in all areas. Reflecting this higher crime rate in the large cities, and comparable enhanced traffic problems, is the per capita provision for local police. In 1966, the metropolitan areas had 2.7 police employees per thousand persons, while the lesser cities averaged around 1.6.

These and other congestion costs are immediately translated into taxes, debts, and local budgets. They are reflected especially in distinctly higher school costs, welfare allowances, policing, traffic controls, housing, health and hospital services, and sanitation. Each of these items would justify a long analysis, balancing out the economies of scale, the incremental costs, the benefit ratios and the "spillovers." Excellent work has been done along these lines though it has been impossible to terminate the discussion with a final formula of costs in relation to size, because there are no real measures for quality differentials, comparative "productivity," or other value judgments.

Another factor influencing the computed per capita costs for the metropolitan centers is that many of the persons served come from the outside and are not even counted in figuring per capitas. For some reason, we count human beings only where they sleep. But, in fact, people when awake flow in to work, to shop, or to enjoy themselves, and then depart. Still others arrive to stay but bring with them immense problems of deficient education, lack of marketable skills, and language handicaps. As a result, the educational, welfare, housing and health loads of the metropolitan areas are sharply augmented. This is not primarily the fault of those who migrate. They are, as in the past, energetic, healthy, ambitious, and eager to enter into the new opportunities of the big city. But our current American system, urban and economic, has in its headlong development, failed to maintain the *ladders of assimilation* and acculturation with which we were blessed, largely by accident, up until the First World War. With the new structure of our economy and the new urban system, we have introduced rigidities of education, of employment, of separation of work and homes, of unions, of working and wage "standards," of criteria of health and housing, which have eroded the bottom rungs in the ladder of assimilation. With these many rungs missing, there is no place for the recent migrant nor for disadvantaged youth to catch hold and start his way up the ladder of opportunity. As a result, millions of willing and potentially useful people, many of whom are already in or are still gravitating to the metropolitan areas, are in a frustrating poverty trap. Make no mistake about this explosive situation. It is not primarily the fault of those who are caught in this trap; it is the fault of the changed American system.

And while we are considering the impact on the metropolitan areas of national mobility, migration, congestion in the slums, unemployment, assimilation, and other social and economic facts, may I ask you a fundamental social and constitutional question? What level of American government, federal, state or local, has the responsibility over internal migration? What level can by law regulate, control, or decide not to regulate or control interstate population movements? What can a big city do to lessen or rationalize the flow into its crowded housing and job market of people who are unprepared for city life?

Under our constitutional system neither the city nor the state can legally do a single thing effectively to stem the tide, though the rapidity and quality of this movement is creating in the big cities the most serious problems of law and order, of education and of welfare. Only the federal government covers this field of our national life.

While we do not want such regulation with work or identification cards and the paraphernalia of internal visas and passports, the decision not to regulate migration within the United States is a federal policy decision and places on the federal government the major moral and legal responsibility both to protect those who migrate and those who receive the migrants. The implications of this inherent and rather obvious distribution of powers under our constitution are of the utmost importance today.

In connection with the heavy and mounting urban costs it is necessary to ask ourselves whether they are justified. There are several approaches. One is comparison of each city with similar communities and with cities in other lands. A second is consultation with various experts and specialists, each in his own field, to determine the best practice and expert opinion. A third is a refinement of this and involves detailed and sophisticated cost-benefit analyses to determine when a service, function, or control can advantageously be taken over by the government or left to private enterprise. Finally, there is just plain "common sense," which rests on public demand and the willingness of the voters to pay for more or better services and controls.

Since all of these in fact rest on personal opinions and conscience, and therefore on political decisions, I have not endeavored to give you a statistical discussion of adequacies and inadequacies of existing urban governmental performance. Nor have I sought to confuse the issue by discussing how much can be saved by better management and reorganization. Though highly desirable, better management and abler personnel increase the costs, rather than decrease them, for governments which are obviously doing less than is required in the face of dire needs.

Therefore, I call your attention to the obvious needs today in most urban regions for added schools, hospitals, highways, parks, water and drainage facilities, the handling of waste and pollution, crime control, libraries, museums, mass transportation, integration of local transportation with the outside, especially with air transport, and for welfare programs, adult education, slum clearance, and urban reconstruction. Not all of these can or should be supplied by local government. But government must take the lead, establish the skeleton at least, so private enterprise can fill in the rest. Why does a nation which has 3 to 6 per cent unemployed, and millions partially unemployed, some of them on relief, fail to move in more rapidly to supply some of these manifest needs of modern urban civilization? I am convinced that a major reason is the lack of fiscal resources and tools under the control of our larger metropolitan local governments. I have personally worked on many big city capital and current budgets, and I can tell you they are all worked out backwards today. We never start with the demonstrable needs, with the best thinking of the technical experts who run the schools, build the hospitals, create the transportation systems, develop the housing and parks and other institutions. We start with the question: How much money or borrowing capacity do we have?

From the standpoint of men like John V. Lindsay and Robert F. Wagner, to name only two dedicated and sensitive urban political leaders, I think I can say that nothing blocks effective local action on urban problems so much as the hurdles which are created today by the inadequate tax structure of the great cities.

I would go even further than this. I would urge that one reason the American people are now unable to wage a minor war in Vietnam and at the same time wage a war at home on poverty and urban blight, which are now almost the same thing, is that our government machinery is out of date and our tax system, particularly that of the great cities, is faulty.

Metropolitan Finance

The local governments of the metropolitan regions have not been unaware of this worsening situation. They live with and feel for the human suffering and unrest which is involved. They have built schools, increased school budgets, expanded their welfare loads, tried to modernize their slum housing, improve transportation, erect hospitals, borrowed for current expenses, and all but bankrupted themselves trying to carry the load of maintaining and expanding services and controls of urban civilization. In this they have been powerfully, though belatedly, aided by the states and by the federal government.

While the Gross National Product was increasing 54 per cent from 1957 to 1965, expenditures in the thirty-eight largest metropolitan areas increased 78 per cent. Though their per capita outlays were already well above those of the smaller cities and other local governments, the per capita costs in the metropolises went up a further 56 per cent, a shade more than the GNP.

This would have been impossible without increasing federal and state aid. During the decade 1955 to 1965, federal aid to the states and localities went up from $3.1 billion to $11.0 billion, an increase of 255 per cent, and reached $13.1 billion in 1966. During the same period state grants to the localities went up significantly, reaching $16.8 billion in 1966. This is 33 per cent of state general expenditures and 30 per cent of all local revenues.

TABLE 2
Percentage of Revenues From Selected Sources in Cities Above 300,000 Population 1964-65

	All Cities in U. S.	*Over 1,000,000*	*500,000 to 999,999*	*300,000 to 499,999*
Total Revenues	100.0	100.0	100.0	100.0
Property Taxes	41.1	37.4	40.3	38.8
General Sales	7.5	15.8	3.5	3.7
Special Sales	3.8	4.4	4.5	4.3
Other Taxes	6.6	5.6	8.0	7.8
Current Charges	12.3	8.9	9.2	13.4
Other Revenues	7.9	5.1	8.5	10.3
From State	17.3	21.0	18.3	13.3
From Federal Government	3.5	1.8	7.7	3.8

Source: Summary Table 4, *City Government Finances*, 1964-65, U. S. Department of Commerce, Bureau of the Census, 1967.

As Table 2 shows, federal grants directly to the local governments are small and hardly favorable to the major cities. But most of the federal money goes to the states and is by them passed out to the local governments. These combined federal and state grants, managed by the states, are generally quite oblivious to the new, extraordinary needs of the metropolitan areas, and tend to discriminate in favor of rural and small units. While this lack of interest in the metropolitan problem and anti-metropolitan favoritism is in part due to the traditional rural overrepresentation, the new reapportionments will do little to right the situation of the old central cities as the new representation goes to the suburbs of the big cities, which are small towns and villages in their own right and are not politically part of the metropolis to which they belong functionally.

The distribution of tax burdens in the larger cities deserves special note. As Table 2 shows, the cities as a whole in the United States derive 41 per cent of their total revenues from property taxes. This is their primary revenue. The general property tax is 70.4 per cent of all local taxes collected in the cities. The percentage is 59.2 in the biggest cities since they have a larger proportion of other taxes. Local governments now collect 96.6 per cent of all property taxes. The states receive only 3.4 per cent and the federal government none. The next major source of revenue for the big cities is state and federal aid, mostly state aid. Next in order come general and special sales taxes, and then charges for utility services, like water, sewers, and transportation.

In considering metropolitan revenues and taxes in the United States, it must always be remembered that the system as a whole, and each tax, is specifically provided for by the superior state government by law or constitution. In taxation, the big cities have no home rule and few limited options. They have the good old "property tax," often with restrictive limits, and very little else, except for conditional handouts and their own utility earnings.

Recent studies have shown three important characteristics of the taxes on which the larger cities now rely so heavily. *First,* these major taxes are distinctly "regressive"; that is, they bear more heavily on the poor than on the rich and discourage home building especially for the poor. *Second,* they are "inelastic" and "non-responsive"; that is, they lag behind when national income goes up or prices rise. And *third,* they are "location shifters"; that is, they encourage new factories, other businesses, retail stores, shopping centers, and high paid workers to move out from under the taxes which are levied in the central cities. In other words, the sources which the states have given to the big cities are precisely the taxes which are bad for their middle income and poor inhabitants, drive employment and retail sales away, discourage low-rent housing, exile the wealthy, and embarrass the local elected officials. The impact of this arrangement on our federal system is now beginning to emerge.

The American people have gradually required their total governmental system, federal, state and local, to assume more and more responsibilities. With each major war, depression, or other crisis, we have thrown new or expanded activities on our government so it plays a bigger and bigger part in our lives; government thus gives us more and more and takes from our combined national product a larger and larger share. Since the turn of the century, we have expanded the total government share of the Gross National Product from 6.4 per cent to 22.9 per cent. Because of wars, depressions, and our recent assumption of world power, the federal load has risen dramatically from 2.4 to 15.0 per cent of the GNP. The states have also expanded greatly from less than 1 per cent to 4 per cent. The localities, however, have stood about still, moving only slightly from 3.3 per cent to 3.9 per cent. These ratios are based on the taxes collected and assume that the policy controls involved in intergovernmental payments generally have a dominant influence on expenditure decisions of the receiving governments.

In connection with these figures, it is important to remember, however, that the growth of the public sector has not been accompanied by a reduction in the absolute amounts going to the private sector and thus into private disposable incomes and standards of living. The total national product has increased to give us both more than we had before personally and at the same time to increase the share going to our governments.

When military expenses are set to one side, the relationships are, of course, somewhat different. Under these conditions, the division of work in 1964 becomes: federal, 23 per cent; the states, 27 per cent; and the localities, 50 per cent; a marked shift from 1927 before the Great Depression, when the division was: federal, 15 per cent; the states, 15 per cent; and the localities, 70 per cent.

The metropolitan areas are, of course, caught in this fiscal whirlpool along with the rest of the local governments. In spite of the rising problems of the new urban concentrations, they are partners of the local-government segment of our federal system, and therefore share the unhappy fate of watching their share of the GNP held down, while the federal and state shares expand. They and their local government associates have been forced back in forty years from handling 70 per cent of the governmental load to handling 50 per cent, precisely at the time in history when the major domestic problems of the American people have been concentrated in the big cities and are becoming painfully visible and politically potent.

This rapid and significant modification of the American federal system has largely come about, not because we think local government should be de-emphasized or eliminated, but because (a) the national government has failed to deal adequately with its overriding national socio-economic responsibilities, specifically poverty and internal migration; (b) the states have failed to give the metropolitan areas a modern local political and administrative structure; and (c) we have not developed a workable fiscal system, federal, state and local, to finance and distribute the costs of running local governmental services and controls within the metropolitan regions.

And that is "the plight of the cities."

The major socio-economic and cultural problems of the American people are being concentrated into the great urban complexes. These problems are recognized by various symptoms, including poverty, racial discrimination, poor housing, deficient and at times inappropriate education, inefficient and inadequate transportation, sanitation and health and hospital services, differential unemployment, crime rates, environmental pollution, inadequate standards for recreational and cultural enjoyments, and inadequate or frustrated local leadership and management. Most of these problems will get worse because of national currents of population growth and mobility. The market mechanism which brought on our metropolitan concentrations cannot cure these fundamental difficulties; left to themselves, matters will become worse, until the system destroys itself perhaps in some form of violent change and backlash unless effective reforms are introduced by really significant public and private action.

The things that need doing here and now by government may well take another 3 to 5 per cent of the GNP annually. Most of the work to be done for people and their welfare and efficiency will have to be located where the people in need of help are; that is, chiefly in the metropolitan areas. It will not be done at arms length in Washington or in the state capitols; it will be done primarily in the neighborhoods of the big cities. Yet, when the cities start to increase their budgets to do the work, they find *first,* that they have no money; *second,* that they cannot raise more taxes, in spite of the inherent higher tax-paying capacity of the total metropolitan area because their revenue systems are so limited, regressive, inelastic, and location-shifting; *third,* that many of the problems with which they are working are national, arising outside of their boundaries, and that the good results of their work benefit not only their own people, but also many others in jurisdiction near and far who cannot be reached to help meet the bills; and *fourth,* that the systems of local planning, political decision-making, and administration are so fractured that they cannot proceed effectively or efficiently.

Comments

DICK NETZER

Dr. Gulick's paper outlines the social and economic factors leading to what we know as the fiscal plight of the large city. My own diagnosis leads me to conclude that, under present arrangements in New York and in nearly all other large central cities, fiscal crises will recur and increase in severity in the years ahead; they will be resolved in one way or another—since governments must function and budgets must be adopted—but the solutions of the crises will *not* permit the provision of public services at levels even remotely commensurate with social requirements.

The difficulty relates entirely to the concentrations of social problems, related to race and poverty, in the large older cities of our metropolitan areas. Increasingly, over the years, these problems have involved governmental action in addition to or in replacement of private action. Within the governmental sector, both the governmental action and its financing have increasingly been by the federal government rather than the states and by the states rather than the local governments. However, a very large residual share of the fiscal responsibility for public services linked to poverty—public welfare programs, health and hospital services to the poor, special educational programs, to mention the most obvious and most easily quantified of such services—remains with the governments of the large central cities.

In New York City's case, this is perhaps more evident than elsewhere, in part because the city government has tried harder than most city governments to begin to provide the appropriate poverty-linked public services. In the fiscal year 1966-67, the city devoted about one-third of its expense budget—about $1.5 billion—to services closely linked to poverty. Most of this expenditure was financed from federal and state funds, but the city itself financed about $500 million of the expenditure for poverty-linked services from city-raised taxes and charges.

It is clear that were such services to be financed entirely from federal and state funds, and were they to be provided at really adequate levels, the city's recurrent fiscal crises would be nearly eliminated. First, something like an additional 29 per cent in city-raised revenues would be made available to finance public services other than those connected with poverty—the services which affect the city's attractiveness as a place to live and do business in. Second, the poverty-linked services are those which put the greatest pressure on the city's budgets —the largest annual increments in expenditure in the foreseeable future will be to handle increased public assistance rolls, improved municipal hospital services and special school programs, as in the past few years.

Indeed, it can be argued that New York and other great cities would have little argument for further federal largesse were the financing of the poverty-linked services entirely federalized. After all, incomes in the great cities are not below the national averages and they do continue to contain large concentrations of taxable wealth. Middle- and upper-class city residents and city businesses ought to be willing to pay taxes to secure improved public services of the kind which afford demonstrable improvements in the urban environment.

But this argument does not hold for the poverty-linked services. The benefits from improvements in such services are general social ones, not like the immediately observable benefits from, say, a new park in a middle-class neighborhood. And better-off residents and businesses can avoid city taxation to support poverty-linked services by simply moving out of the city, into an adjacent community where there are no poor people.

This is the basis of my allegation that the fiscal problems of the great central city cannot be resolved under present arrangements, that is, under a system in which the cities themselves must finance substantial public service costs related to poverty. However, the problem is not simply a fiscal one. I argue that, if heavy doses of locally raised funds are required, the poverty-linked services *never* will be supplied at adequate scope, quality, and quantity.

An example of adequacy can be found in estimates prepared for the Regional Plan Association, soon to appear in one of its reports on a

Second Regional Plan for the New York Metropolitan Region. Actual expenditures for public assistance, health, welfare, and compensatory educational programs in 1966-67 were $1,500 million. But it was estimated that another $1,500 million would be necessary to provide minimally adequate levels for these poverty-linked services in New York City. Even larger increases—a tripling of expenditures rather than the doubling projected for New York City—were projected for the other old central cities in the New York region.

None of this can be realized under a regime involving local financing. First, some central cities simply do not have the taxable capacity present to finance any large increases in expenditure. Second, the very large cities do have the economic potential, but, as Dr. Gulick has pointed out, they exercise this potential at some real risk—the risk of inducing the richer residents and business firms to move elsewhere in the metropolitan area. Surely, it is a bad solution to the problem of poverty concentrations in cities to provide more public services to the poor, financed by taxes which result in a loss of employment opportunities for those with limited skills. It can be demonstrated that this, in fact, has been the chain of events with respect to some types of New York City taxes in the past. Third, most types of local taxes fall heavily on the poor; the result then is taxing the poor to assist the poor, which is surely nonsense.

The city income tax does not share this last characteristic. But, like other local tax actions, it is a second-best solution to the pressing fiscal problems. We cannot stand by, awaiting an adequate response to urban problems on the part of state and federal governments; local governments themselves must act. At least, this has been the response of the present and previous New York City administrations, a response which has produced a succession of new and increased taxes, including the 1966 income tax. I view this as a necessary device for financing the city's share of poverty-linked services.

However, it is not an adequate substitute for federal support of poverty-linked services. The cities must continue to press their case for federal action along these lines; fiscal home rule, administrative reorganization, legislative reapportionment, and the like are all worthy causes, but all of them together will not solve the really basic difficulties.