

RECENT TRENDS OF THE REVENUE SOURCES OF THE
CITY OF MANHATTAN, KANSAS

by

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INTRODUCTION

General Statement

An analysis of the revenue system of the City of Manhattan, Kansas, the subject matter of this investigation, could have very logically and "properly" been undertaken by a student of the "specialized field of government", rather than by one interested in the "specialized field of economics."

The Physiocrats, Adam Smith, and the English economists of the early nineteenth century ... searchingly considered the fiscal aspects of governmental activity ... So far-reaching was their influence that later students viewed Public Finance as an integral element of Economics. Conceivably, had the outstanding British study of the problems of Public Finance a century or so ago been made by students of governmental organization instead of Economics, we might today study Public Finance as a branch of Political Science, as is to some extent the case in continental Europe.¹

Also, some might argue that the accountant, the statistician, and the historian -- and even, perhaps, the sociologist, and the social psychologist and others -- could have brought into use valuable specialized analytical tools and procedures which would have facilitated the possible discovery of various "contributions to knowledge." It might be expected, however, that although the same general "evidence" was examined (e.g., the same quantitative time series of monetary data) the objectives and ends and therefore the questions pondered and the interpretations of the "answers" discovered would have varied widely, resulting in diverse mirrorings

¹William J. Shultz and C. Lowell Harriss, American Public Finance, 1949, p. 2-3.

of differing aspects of the central features of the subject under consideration.

For this writer, the investigation was an attempt to discover, primarily, the "economic aspects" of recent revenue trends of the City of Manhattan. (Ise's definition of economics as "The study of the material requisites of human well-being" seems as good as any.) Even thus restricted and "defined," however, the problem of just what evidence and material to bring into consideration and what to (in effect) ignore was not a simple one. A student of economics of a half century ago would very probably have approached a similar problem with little qualms. With the brilliant tradition, philosophy, and analytical techniques, and ideas of the ordre naturel, laissez-faire, and hedonism-utilitarianism of the Classicalists as the foundation of a seemingly unshakable general economic structure, the problem would have been one of simply excavating the data and carefully fitting it into the accepted system.

In the last several decades, and indeed earlier, many fundamental objections have been raised against the main structure of orthodox economics by psychologists, sociologists, philosophers and other specialists as well as by economists. New offshoots to the main stem of economic thought have appeared, each challenging some portion of the traditional system. Economists of a new stamp, men with a basically questioning, skeptical outlook such as Veblen, Hobson, Mitchell, Keynes, Hansen, and Chamberlin -- to name but a few -- questioned, examined, and found wanting many of the basic assumptions and conclusions of the old system. In view of these

developments, the setting up of a framework of analysis is no longer a "cut and dry" matter. The question that runs through any economist's mind as he examines a new economic report or treatise, especially by an "unknown" is now: "What will he turn out to be -- a Keynesian, an Institutionalist, or something else, or will he have seen the light and be one of my convictions?" Professor Lewis H. Haney, for example, apparently believes that before the ideas and conclusions of any economist can be accepted as "complete" or meaningful," the basic philosophical foundations should be revealed, e.g., even convictions on such transcendental aspects of metaphysics as the problems of dualism vs. monism and idealism vs. materialism.² In other words, he feels that, "All (or at least the more important) cards should be on the table." Other economists believe this is quite unnecessary; they deem such a procedure to be extremely cumbersome and, in the final analysis, unnecessary: let the economist be "objective," examine the "hard facts" of the case, use the more or less "standard" economic analysis and present the logical conclusions. If the result is a genuine contribution to knowledge, its merits will be recognized by nearly all of his scientific colleagues regardless of the variations of their personal philosophies and general outlook on life.

The Theoretical Framework of the Inquiry

For the purpose of this inquiry, neither of the above ap-

²Lewis H. Haney, History of Economic Thought, p. 8-20.

proaches has been completely accepted. A declaration of personal philosophy, detailing the various economic and "non-economic" propositions and ideas accepted will not be offered. On the other hand, it is this writer's conviction that an indicative sampling of his more important convictions on fundamental epistemological and economic theories -- at least those which will constitute important "pillars" for the following analysis -- should be offered.

Basically the outlook regarding the possibilities and potentialities of economics as a "scientific discipline" (in the sense that the physical sciences merit that designation) has been one of qualified optimism. Inasfar as it follows a basically empirical, experimental approach, recognizing at all times that knowledge and truth are much more a matter of probabilities rather than of certainties, and that a finite series of data can never absolutely "prove" a principle or "law", but only establish its likelihood, the future of the science (or art -- ?) of economics seems bright. On the other hand, the deductive, rationalistic approach cannot be entirely discredited; a course between "the rock of the Scylla" of complete skepticism and "the whirlpool of the Charybdis" of gross dogmatism is thus the goal. It is felt that the economist, and the social scientist in general, must be extremely wary at all times. Both the "reductive" and the "seductive" fallacies must be avoided.

No matter how logically consistent, granted its own special assumptions, or how rigorously detailed and organized it may be, if a theory does not "square" with reality in an approximately

one to one ratio, it should be discarded or substantially revised. Static concepts can be very useful, particularly in meeting static situation. But when the "economic game" becomes (to use Chase's simile) like Alice's croquet game, "a matter of using a live flamingo as the mallet, perambulating hedgehogs as the balls, and packs of live, moving, and malicious, playing cards as the hoops," the old rules of the game seem rather inappropriate. The notion of absolute natural economic laws seems, in the light of the history of the past several decades, with its profound institutional, technological, and economic developments, to be badly strained and shaken -- if not wholly discredited. The extreme position of some, e.g., Chase, that the orthodox economics is only valid in the realm of the Ivory Towers or in minor, insignificant phases of the real world is not accepted.³ Nevertheless, it is the belief of this student that the relatively young discipline of economics, in its present stage, is much more applicable, and obviously more capable of definite substantiation, when it is engaged in limited specific examinations of relatively "small" economic problems, e.g., the topic at hand, the examination of recent revenue trends of a small city, than when it attempts the herculean task of discovering a meaningful explanation for the major forces and factors at work in, say, the national or international scene. In the future, we may hope, the economist will discover new and more potent weapons to enable a

³Stuart Chase, The Proper Study of Mankind, 1948, p. 198.

successful attack on the "grand problems." (Many have argued that the "Keynesian Revolution" has provided the key to the understanding of the overall aggregative economic problems. Although the theoretical achievements, i.e., particularly the "superstructure," of Keynes and his followers were brilliant, their basic propositions have so far remained in the realm of "the unproven and the undisproven" -- for this student at least.)

One basic, but often seemingly overlooked or oversimplified problem for the economist confronting any specific problem has been the establishment of "ultimate ends" as the goal toward which his economic solution is directed. In those cases where the goals are "given" the problem could be avoided, but in many problems, e.g., the case at hand, the criteria of good and success is a vague one. Is it humanly possible to be effectively objective in problems dealing with the behavior of other human beings? Are there such things as "objective goals" for all or a portion of mankind? The setting up of ultimate ends, which often greatly influence, if not entirely determine the direction and extent of the analysis, and the meanings drawn from the data on hand, has been a very delicate and subtle operation -- which would seem to fall more in the field of moral philosophy and ethics than economics. For the purposes of this investigation the ultimate goals of municipal revenue policy -- for all American cities -- will be assumed to be:

(1) The attainment, in the long run, i.e., allowing for varying amounts of long and short-term borrowings, of aggregate

revenues sufficient to meet the costs of those services and facilities that the majority of the citizens believe their city government should provide and have the basic ability and willingness to finance.

(2) The "just" distribution of the public burden. (Various prevailing notions of revenue "justice" will be indicated below, especially under the final topic of the paper.)

The Problem and the Nature and Extent of the Evidence

The investigation of the recent revenue trends of the City of Manhattan was undertaken at the suggestion of Mr. William B. Avery, the recently appointed, and the first, City Manager of Manhattan. Following his desires, the expenditure and debt history of the city -- important as they have been in determining the revenue trends -- have not been made a central part of the inquiry. The apparent basic reason for this limitation was a very practical one: data on expenditures and debts were accessible in existing reports and summaries; the history and even basic summary data on Manhattan's revenues, by sources, simply were not available.

Manhattan "revenue" for the purpose of this investigation has been defined as "all those gross receipts, primarily -- but not wholly in monetary form --i.e., including other economic goods and services (from such federal agencies as the P.W.A. and the W.P.A.) -- received by the City of Manhattan from any sources,

with the exceptions of: (1) long or short-term borrowings; (2) general receipts of the City Water Department. "(The term, "revenue," has not had a universally accepted meaning, e.g., it has been used to include receipts from borrowings as well as that from "current sources.")

The main object of this investigation was the determination and analysis of the sources of revenue; it should be emphasized that revenues therefore are gross, and not "net." For example, the fact that the municipal airport has since its beginnings operated "in the red," in the sense that its direct monetary expenses exceeded the direct monetary receipts has not affected my classification of their monetary receipts as revenue. The problem of evaluating the direct and indirect non-monetary benefits derived from the airport, or any other municipal facility or service, is beyond the scope of this paper.

The main technical difficulty of the inquiry was the securing and reconstructing of basic monetary revenue data. All such information available was in the form of detailed receipts which had been distributed according to municipal department or fund. Until January 1, 1952 when a new and comprehensive accounting system was put into effect, the city offices compiled no summary of total City revenue by sources. As a result, in order to obtain the basic data upon which an economic analysis could be based, it was necessary to completely derive aggregate figures from records not designed to directly give that information. (A detailed explanation of the derivation of this data will follow under, "The Revenue History of the City of Manhattan," below.)

The main body of what follows will be a presentation and analysis, primarily in quantitative terms, of the monetary record of recent trends in the revenue sources of the City of Manhattan. However, in order to avoid presenting merely a "summary of the bookkeeping," economic cause and effect relationships have been suggested. It has been the opinion of the writer that while by the nature of his "specialty," the economist in analyzing a problem of public finance deals primarily with the monetary evidence, at least a notion of the general economic setting (of the "immediate area", as well as that of the nation) should be acquired before any particular problem can be "solved." It would have been very tempting to attempt to encompass such a vast array of information covering forces and factors affecting the economy of the City of Manhattan that ample material for a series of case studies covering the entire scope of the social sciences would have been gathered. To avoid such an error and at the same time to bring out the fundamentally pertinent causal forces touching on and influencing the secular and short-run trends of the City's revenue requires a "fine sense of judgment" in the weighing and selection of the evidence. It can only be the hope of the writer that the decisions made are at least partially "correct."

A SYNOPSIS OF MUNICIPAL REVENUE PROBLEMS IN THE UNITED STATES

In order to make the analysis of the immediate problem more meaningful and clear-cut a brief background of the nationwide

municipal revenue tendencies appeared to be of value. As a starting point the writer's preliminary supposition was that the revenue history of the City of Manhattan represented a "typical case study" if not a "normal sample" of the "universe" of revenue histories of all American cities. By establishing a roughly normal pattern for this universe as a criterion, deviations in the Manhattan data could be pointed up and the truth or error of this general presupposition determined.⁴

General Secular and (Recent) Short-Term Tendencies in American Cities

Throughout the history of the United States, the trend of urban population to increase both absolutely and in relation to that of the rural areas has been well established. This has been the result and/or the accompaniment of technical, institutional, as well as long-term economical developments. Perhaps the single most important factor has been the continuing Industrial Revolution, with its ever-increasing emphasis upon more and more minute specialization in production. Specialization, and its usual attendant, mass production, normally have involved increasing centralization of the labor forces toward the municipal areas. Other subsidiary long-run changes, e.g., the gradual spread of

⁴No attempt has been made to establish this "norm" according to a rigid statistical methodology. Only the most general nationwide tendencies will be outlined.

the franchise, the secularization of urban peoples away from their former idealistic American-Puritanic outlook on life to a more materialistic philosophy, the increasing of the average life span, and so on, all have resulted in large and growing cities, with a coordinate increasing demand for municipal services and hence for municipal revenue.

During the depression of the 'thirties the shift to the cities slightly subsided, only to increase greatly in the war economy of the 'forties. In the post-war years this trend continued to swell city populations to new high levels. Birth rates, at an all time low in the 'thirties, rose sharply in the early and middle 'forties (see Table 5).

Trends of Aggregate Municipal Revenues in the United States

As indicated by the data in Tables 1 and 2, the secular tendency has been for the per capita dollar revenue of local governments of the United States to rise. However, when the data were converted into "1936-1939" dollars in order to obtain a somewhat more accurate measure of the "real" changes from year to year, the figures indicated an approximate 30 percent drop in per capita "real" revenue from the years of the early and middle 'thirties to the immediate post-war years.⁵ Could it be possible that a new trend was being established in the reduction of local per capita "real" revenue? Or, and more likely, this nation-wide

⁵Statistics for "municipal revenue per capita" were not available for the entire period covered by Table 1; in fact such a figure for all the cities of the United States could not be found by this student. However, in the fiscal year 1932 the "cities, towns, villages, and boroughs" received 47.7 percent of total local revenue (Harold M. Groves, Financing Government, 1945, p. 55.). If it is assumed that the "cities, towns, etc." received about this same proportion of total local revenues during 1915-1950, it follows that "average per capita municipal revenue" for the United States was a little less than half of the first column of Table 1. Similarly, the "average 'real' per capita revenue" would be about half of the third column of Table 1. Even if actual per capita figures were available, however, its "meaning" would be of questionable value as a "mode" of "the typical American city." This would be due to the great variation from city to city; for example in 1946, "Boston and New York spent \$110 per capita ... Chicago spent \$35, Detroit \$80, and Lincoln (Nebraska) about \$25 per capita." (William J. Shultz and C. Lowell Harriss, op. cit., p. 39). In the same year ten (of the twelve) first-class cities of Kansas had average per capita expenditures of only \$11.10 (Jack F. McKay, loc. cit.). The large variation in revenues and expenditures was due mainly to differences in functions assumed in the various cities. New York and Boston make large outlays for education; in Kansas and elsewhere school costs are met by special districts with separate budgets.

Table 1. Per capita tax revenue of local governments in the United States; B.L.S. Consumer Price Index; "real" per capita revenue, and index of average per capita expenditures of 10 Kansas cities, selected fiscal years, 1915-1950.

Year	Dollar : per capita : revenue ¹	B.L.S. : Cons. : Price : Index ²	"Real" dollar : per capita : revenue ³	Index of average : per capita current : expenditures of 10 : Kansas cities ⁴
1915	10.60	72.5	14.61	
1919	16.29	123.8	13.18	
1923	25.61	97.6	26.27	
1927	34.98	124.0	28.19	
1932	36.02	97.6	36.98	
1933	33.09	92.4	35.82	
1934	34.84	95.7	36.42	
1935	36.46	98.1	37.20	
1936	35.78	99.1	36.02	
1937	34.99	102.7	34.04	
1938	35.44	100.8	35.25	
1939	34.55	99.4	34.80	
1940	34.34	100.2	34.11	100.0
1941	35.85	105.2	34.04	-
1942	34.75	116.6	29.61	-
1943	35.02	123.6	28.40	105.9
1944	35.23	125.7	28.23	113.1
1945	36.86	128.6	28.70	116.7
1946	39.06	139.5	28.29	130.8
1947	41.69	159.6	26.15	138.4
1948	46.01	171.9	26.82	154.2
1949	50.81	170.2	29.80	-
1950	54.46	171.9	31.63	-

¹From the Tax Foundation, Facts and Figures on Government Finance, 1950-1951, 1950, p. 39. (Bureau of Labor Statistics).

²From the World Almanac (Ed., Harry Hansen) 1952, p. 688. (This index was 186.6 in September 1951, and 189.6 in April, 1952. The last figure from Business Week, May 31, 1952. 1936-1939 = 100.0.)

³Calculated by dividing the first column by the B.L.S. consumer price index.

⁴Calculated from "average per capita expenditure of 10 cities in Kansas for current operations." (From Jack F. McKay, Bureau of Government Research, Recent Trends in City Finance, Table No. 7, p. 31.) 1940 = 100.0; the actual dollar amount for 1940 was \$9.51. Data on revenue per capita was not given.

Table 2. Summary of municipal revenues and borrowing for cities having 1940 populations over 25,000, selected years, 1942-1949.

	: 1949 :	: 1947 :	: 1945 :	: 1943 :	: Percent increase : : 1942 to 1949 :
	(amounts in millions)				
Total general revenue & borrowing	\$4,509	\$3,630	\$2,821	\$2,639	—*
"Real" gen. rev. & borrowing	(2,698)	(2,275)	(2,198)	(2,142)	
General borrowing	472	324	106	48	—*
Total general revenue	4,037	3,306	2,714	2,591	55.4
Taxes, total	2,793	2,307	1,971	1,946	44.1
Property	2,154	1,866	1,712	1,711	27.8
Sales	393	263	128	110	223.2
Licenses & other	246	178	131	124	87.9
Aid from other govern.	817	642	485	437	82.6
From state only	764	607	450	402	82.4
Charges and misc.	426	357	258	209	100.4

Source: International City Managers Association, Municipal Yearbook, 1951, p. 206. (Data in parentheses represent "total general revenue & borrowing" in "real" dollars, calculated by dividing through by the B.L.S. consumer price index.)

*Data not available.

decline was explainable in terms of short-term factors: During the depression of the 'thirties, the federal and state governments granted substantial aids and services that were withdrawn in the prosperous 'forties. Municipal construction projects declined sharply during World War II causing a decreased demand for revenue. After the war the pressure for more municipal services and capital construction was renewed but the willingness to "pay the bill" appeared to have declined as evidenced by the decline in "real" dollar per capita revenue at a time when current expenditures per capita were rapidly rising, by the rapid increase in municipal borrowing. (See Table 2 and the two last columns of Table 1). (The large increase of debt in the post-war years in itself would not necessarily indicate a disinclination to "pay the current bills," and, in fact, a large part in the increase was justified by capital expenditures.) The apparent discrepancy in the "real" trends for all local government revenue (Table 1) and municipal revenue for cities over 25,000 population (Table 2) can be largely explained by the fact that the latter data have not been reduced to a per capita basis to take account of the increase in population over the period.

Trends of Specific Municipal Revenue Sources in the United States

The Property Tax. The mainstay of local revenue in this country has, since early in the nineteenth century, been the

general property tax -- "one of the few peculiarly American products."⁶ In 1932, it produced 91.9 percent of the tax revenue of the "cities, town, villages, and boroughs" of the United States.⁷ Since the early 'thirties, however, its relative importance has considerably declined. In 1949 it produced less than 54 percent of the revenue of cities whose populations had been 25,000 or over in 1940 (see Table 2), less than 59 percent of the revenue of 10 first-class Kansas cities (see Table 3) in 1948 and less than 45 percent "of the revenues of all second-class cities in Kansas" for the year 1947.⁸

Without going deeply into the theoretical and practical criticisms and defenses of this traditional "chief provider" of American municipal revenue its principal criticisms and defenses can be summarized:

Criticisms --

(1) It has become increasingly obsolescent as a fair measure of distributing the tax burden, i.e., it has become more regressive and less a measure of the ability-to-pay.

(2) It has developed, or never corrected notorious administrative weaknesses, especially in the universal, but uneven, undervaluation of property value.

⁶Harold M. Groves, Financing Government, Rev. Ed., 1945, p. 22.

⁷Ibid., p. 55.

⁸Bureau of Government Research, University of Kansas, A Comprehensive Planning Survey of Newton, Kansas, 1951, p. 53.

Table 3. Percent distribution of general revenues of 10 first-class cities in Kansas by sources of revenue, selected years, 1940 - 1950.

Year	Local taxes			Non-taxes			Misc.	Total
	Proper-	License	Shared	Fines	Trust			
	ty	& priv-	state	and	Charges	fund		
		ilege	taxes	fees		rec.		
1940	75.81	5.93	6.58	2.01	5.14	2.34	2.19	100.00
1943	74.78	5.94	7.21	3.23	4.82	2.79	1.23	100.00
1944	73.48	6.21	9.31	2.94	4.87	2.02	1.16	100.00
1945	68.31	6.44	12.82	3.85	4.85	2.00	1.74	100.00
1946	65.91	6.32	13.30	6.00	4.23	2.51	1.73	100.00
1947	59.98	7.97	12.60	6.57	7.58	2.83	2.45	100.00
1948	58.85	8.37	12.72	8.09	6.38	3.23	2.36	100.00
1949*	68.02	8.50	10.38	7.03	3.49	1.02	1.56	100.00
1950*	66.72	8.35	12.94	6.33	3.77	.93	1.02	100.00

Source: Jack F. McKay, op. cit., p. 17. (Bureau of Government Research, University of Kansas).

*Budget estimates only, not actual amounts. (The cities are: Atchinson, Parsons, Coffeyville, Fort Scott, Hutchinson, Lawrence, Leavenworth, Pittsburg, Salina, and Topeka, i.e., every first-class city in Kansas except Kansas City and Wichita.)

(3) It has been a discouragement to investment in urgently needed housing.

(4) Its yield has been characterized by increasing inelasticity.

Defenses --

(1) It has been well adapted for local control -- a feature which has been especially appealing to those with the spirit of home rule and aversion for the recent tendency toward centralization in government.

(2) Its alternatives, e.g., the sales tax, have been believed by many to be even more inequitable.

(3) It has provided large and fairly dependable and predictable revenues.

(4) It is capable of many administrative improvements.

As Professor Groves concludes,

Although the general property tax is cracking badly in places, it is probably destined to continue for many years as a major, if not the major, source of public revenue in the United States.⁹

Non-Property Taxes. The data in Tables 2 and 3 provide a fairly good outline of recent non-property tax trends throughout the United States, and particularly of first-class Kansas cities. However both "lump together" the data of many cities. In order to indicate the considerable variation from the general pattern the following survey is presented:

In terms of use by the 1,228 cities in the United States

⁹Harold M. Groves, op. cit., p. 118.

with populations over 10,000 (in 1940) the more important locally levied non-property taxes in 1950 were: public utility taxes (259 cities); gross receipts business taxes (196); admission taxes (182); motor vehicle taxes (113); retail sales taxes (89); cigarette and tobacco taxes (62); gasoline taxes (39); alcohol beverage taxes (34); income taxes (24); tax on property transfers (19); and hotel taxes (5). In all some 541 cities or 44 percent of the cities over 10,000 population used one or more of these non-property taxes.¹⁰

For some purposes a more meaningful ranking of "importance" would be according to aggregate yields. However the data available has not been complete; many cities have not reported. Nevertheless the following partial data seems to be indicative of the diverse nationwide story.

The tax with the greatest apparent yield has been the retail sales tax. The 67 cities reporting collected a total of \$186,431,000 for the year 1950. Of this amount, the City of New York alone accounted for some \$132,206,800. Seventeen cities which reported income tax revenue collected a total of \$63,897,800. Philadelphia's collections from this source amounted to \$37,500,000. The gross receipts tax yielded \$93,669,400 to the 147 reporting cities; this tax is most frequently used by the cities over 500,000 (39 percent). One hundred thirteen cities reported

¹⁰Robert L. Funk, "Municipal Non-Property Taxes," International City Managers Association, The Municipal Yearbook, (Clarence E. Ridley and Orin Nolting, Eds.), 1951, p. 189-194.

receiving \$11,198,000 for theatre admission taxes, including \$3,700,000 by the City of Philadelphia and \$1,975,000 by Chicago. Washington, D. C. received \$10,190,400 from her four cent per gallon gasoline tax, which represented 70 percent of the total collections from this source of the 39 cities reporting. The motor vehicle tax (distinct from taxes under the ad valorem basis) was the source of \$7,292,100 for 76 reporting cities. Thirteen cities reported alcoholic beverage revenues aggregating \$4,227,100 -- 65 percent by Washington, D. C. Significant data were not available for cigarette and tobacco taxes, hotel room taxes, and property transfer taxes; however in Philadelphia the latter, at a rate of five cents per \$1000 value transferred, was said to yield some \$500,000 a year.¹¹

State and Federal Grants-in-aid.

Grants-in-aid and centrally collected, locally shared taxes differ in several respects. The customary criterion of differentiation is that the grant-in-aid is distributed by appropriation, whereas the shared tax is apportioned according to fixed percentages of the yield of a particular tax. In the case of an aid, the amount distributed is largely independent of the yield of a particular tax; in the case of a shared tax, it is entirely dependent upon such yield... At times the two do not differ by a very wide margin.¹²

Revenue from the higher governments has had a marked increase in the past few decades. Total state grant-in-aid to local units (for specified functions) rose from \$58.3 million in 1902, or 7.5 percent of total local revenue, to \$518.7 million in 1932, repre-

¹¹William J. Schultz and C. Lowell Harriss, op. cit., p. 719.

¹²Harold M. Groves, op. cit., p. 517.

senting 9.9 percent of total revenue, and to \$1,590 million in 1948 which comprised 17 percent of total local revenue in the latter year.¹³ These grants have been almost wholly for the purposes of aiding education, highway construction and maintenance, and social welfare. Since the school districts and counties rather than the cities perform the greater part of these functions, the latter have received only a minor portion of the total grants.

In the 1930's the federal government provided substantial aid directly to the local governments largely in the form of making available the services of employees of the federal relief and public works agencies, e.g., the P.W.A. and the W.P.A., for municipal construction projects -- on an "emergency basis." "Federal aids are predominantly for welfare, with highways and education following in order."¹⁴ Although total federal aids exceeded \$2 billion in 1935, after which they greatly declined as their welfare relief function was shifted in large part from the states and counties, etc., to special federal agencies, most cities received little or no direct (monetary) aid. However, many grants for airports, hospitals, and school lunches did go directly to the cities. During World War II special wartime grants, \$270 million in 1945, were made for airport construction, the training of defense workers, and other special purposes. The exact amount of these funds received by the cities was not dis-

¹³William J. Schultz and C. Lowell Harriss, loc. cit.
¹⁴Harold M. Groves, op. cit., p. 521.

cussed; however, they cannot have been important -- relative to total municipal revenues. Federal grants to the cities for airports and hospitals and a few other special purposes have been important since 1939.¹⁵ A seven-year expenditure program of \$500 million in all states and localities was approved in 1946.¹⁶

Other Municipal Revenue Sources. In addition to local tax revenue and federal and state aid there have been other more or less important sources of revenue: licenses, fines and fees, service charges, profits from municipal-owned utilities, and sundry minor sources. For the larger cities, taken as a group (see Table 2 above) this source has gradually increased in importance, producing about twice the proportion of total revenue in 1949 as in 1942. The data for the 10 Kansas cities showed the same general trend until 1948 (see Table 3 above) when the budget figures indicated a sharp drop in the importance of most of the items in this category.

Conclusions on the Major Factors and Issues Affecting Municipal Revenue in the United States

As indicated above (p. 12-16) the general property tax has been gradually losing its traditional position as the dominant source of municipal revenue. Conclusions on the alternative

¹⁵William J. Schultz and C. Lowell Harriss, op. cit., p. 747.
¹⁶Ibid., p. 80.

sources can be summarized under the following headings: (1) locally initiated and administered non-property taxes and non-tax revenue; (2) state-collected and administered, city-shared taxes; (3) grants-in-aid and other aids by state and federal governments; (4) varying combinations of the above. (The alternative of transfer of municipal functions to other governments will not be discussed.)

Locally Initiated and Administered Non-Property Taxes and Non-Tax Revenue. According to one student of municipal finance, Dr. Homer H. Hamner,

Recent city policy makers have established a new trend. In effect they seem to have resolved that future reliance on needed revenue increments will henceforth be placed on new local tax sources rather than on substantial property tax increases or even increasing state aids.¹⁷

Apparently Dr. Hamner had considerable evidence to support this latter contention (the implication that new local taxes will be more important than "state aids.") If he restricted the latter term to grants-in-aid, as that classification is normally used, -- and this point is not clear -- there can be no quarrel with his thesis. However, if he included state-shared revenue, a strong case could be presented against his contention. For example, the data presented in Tables 2 and 3 above indicate that state-shared revenues have been increasing at a substantially faster rate than local non-property tax revenue.

Nevertheless the latter has been becoming increasingly

¹⁷Homer H. Hamner, Municipal Finance Problems of the City of Glendale, California, 1949, p. 292.

important. State-shared taxes have had the advantages, and the disadvantages, inherent in geographically and economically restricted political units. In sum, they have had the advantages of placing the responsibility of rendering revenue policy-making and administrative decisions upon the same individuals in charge of directing expenditures, thus presumably cutting down on waste and extravagance. They have had the disadvantages of lack of professional training and experience usually associated with those in charge of policy-making and administration of the larger governmental unit.

One remarkable fact, noted above, p. 19, was that in 1950 only 44 percent of the cities over 10,000 population used one or more of the (eleven mentioned above) main non-property taxes. In many cases the obvious reason has been lack of state statutory authorization. Many states have been extremely hesitant about granting their political subdivisions new taxing power, typically reserving the most likely new sources for themselves. However, this is apparently only a partial explanation. Many cities with the statutory blessing have failed to put the "new-type" taxes into effect due to various and sundry reasons. There have been political difficulties to the enactment of a tax which apparently may hurt certain economic interests. There has been much inaction simply as the result of inertia. City officials usually have preferred to "wait and see"; traditions are very hard to change. Some taxes and local non-tax revenue quite successful in certain climes and areas are not suitable to other cities due to

lack of size, geographic factors, and so on.

State-Collected, City-Shared Taxes. As indicated above, state-shared revenues have expanded at a remarkable rate in the past two decades (see Tables 2 and 3 above). Apparently these "hybrid" sources of revenue have palliated, in great part, the advocates of home rule and at the same time have taken advantage of superior taxes (at least in the quantity of yield) which are administratively inefficient, if not practically impossible, in smaller cities. The more important shared taxes -- many of which are extremely regressive -- are the sales tax, the cigarette tax, liquor tax, motor fuel tax, motor vehicle tax, personal income tax, and corporation income tax.¹⁸ (The justification for the motor fuel and motor vehicle tax has been that they come under the benefits-principle inasmuch as the revenue obtained is nearly all expended in maintaining the street and highway system.)

Grants-in-aid by State and Federal Governments. These were relatively unknown as a source of municipal revenue until the depression of the 'thirties. During that period they played an extremely important emergency role. The advantages claimed for this type of revenue over new local taxes have been similar to the arguments raised in favor of shared taxes: e.g., the superior administration of a single central unit; the fact that new local taxes tend to increase trade barriers, which are already an annoying problem, etc. This source is apparently "here to stay",

¹⁸William J. Schultz and C. Lowell Harriss, op. cit., Table 36, p. 712.

now as a minor, but potentially as an important municipal revenue source.

Various Combinations of the Above Alternatives. As might have been expected in a basically political arena where the decisions have been primarily the result of the interaction and pressures of various more or less conflicting economic groups and political alliances rather than the culmination of a basically "rational" approach, no single one of the above alternatives has secured a complete "victory" over the others. All have made advances at the expense of the property tax. The old maxim of attempting "to get the most feathers with the least squawking" seems to have been the order of the day. Feeling the heavy pressure of existing taxes, local, state and federal, the urge for relief -- somehow, some way -- has been extremely strong. As a result tempers have risen, many heated accusations have been scattered hither and yon; and efforts of the "tax experts" to bring about a basic tax reform along "economically sound and rational" lines have been largely thwarted in the general emotional confusion. (Of course, the explanation for this dilemma may be that "which taxes are economically sound and rational, and which are not" has been a moot point. The answers of the "tax experts" have been far from unanimous.)

SOME INDICATORS OF MANHATTAN'S ECONOMIC STRUCTURE AND RECENT ECONOMIC TRENDS

Before attempting an economic analysis of the revenue trends of the City of Manhattan, it seemed profitable, if indeed not mandatory, to establish at least a first approximation of Manhattan's basic economic structure. In addition to nationwide institutional and economic forces and pressures outlined in the preceding section every city, obviously, has its own peculiar economic "facts of life" which must be recognized if realistic queries about revenue trends are to be put and conclusions arrived at. This survey will be more descriptive than interpretative although summary conclusions will be offered.

The Geographic and Climatic Setting

Manhattan, Kansas, first settled in 1854 ("when the steamer Hartford, which left Cincinnati, became stranded on the Kaw river just above the mouth of the Blue") was incorporated as a second-class city on February 14, 1857.¹⁹ Located in the Kaw valley some 55 miles west of the state capital and 11 miles east of Fort Riley, Manhattan has enjoyed the varying but "invigorating" climate of the Central Great Plains area. For the period 1898 to 1942 her average mean temperature was 55.3 degrees, with a maximum of 116 degrees on August 13, 1936 and a minimum of -32

¹⁹Quotation from Kansas Facts, 1933, p. 251.

degrees on February 12, 1899. Over this period Manhattan has averaged 146 cloudy days, 67 partly cloudy and 152 clear days a year. Her "normal" annual precipitation has been 32.3 inches; however this has varied considerably over the years and the seasons -- from the serious droughts during much of the 'thirties to the excessive downfalls which helped to cause the floods of 1903, 1908, 1935, and 1951.²⁰

The latter flood was by far the most disastrous to the economy of Manhattan and the surrounding area. Within the city approximately 2500 homes and 347 business establishments were damaged or destroyed. The damage to City facilities alone, e.g., "70,000 lineal feet of sanitary sewers were full of sand and silt and twenty major breaks in the sanitary sewer system", totaled approximately \$1.5 million. Damage to residential areas was \$8.5 million; business places suffered a \$12 million loss, and schools \$.5 million -- for a total of \$22.5 million.²¹ For a city with an assessed tangible property valuation of \$19,671,237 in 1951 this was a serious blow, the effects of which will probably be influential for many years to come.

²⁰Report of the Kansas State Board of Agriculture, "Climate of Kansas", June, 1942, cited by R. H. Breckenridge, An Industrial Survey of Manhattan, Kansas, July 1949, p. 60.

²¹William B. Avery, The Disaster Program for Manhattan, Kansas, (a mimeographed reprint of the article in Municipal Finance, May 1952, p. 154-157.) p. 4.

Manhattan's Population Trends

The population data (see Table 4, below) for the period 1880-1952 indicate that the secular nationwide trend of municipal growth has generally prevailed in Manhattan. The data in Table 5, below, indicate that Manhattan's birth rate, over the period 1930-1951 has been substantially above the national trend, particularly since about 1941. The computed rates may be substantially higher, however, due to probable non-inclusion of a large number of Ft. Riley personnel (who are usually quite transient, averaging only a few months stay) as part of Manhattan's "average total population." On the other hand, the fact that the wives of these military personnel have had access to the Ft. Riley hospital facilities practically free of charge may have reduced the effect of this factor. (Another important factor has been the births in the city hospitals by nearby rural women.)²² The local data are quite "uneven" and erratic, especially when compared with the national figures; this is very likely because of the relatively small size of the "sample"; i.e., national figures are "smooth" because of extremely large population involved. This same characteristic has been found in almost all data assembled; the "life" of a few thousand individuals has been more unstable than the average, or total, "life" of many millions.

²²The student inhabitants of college housing have contributed greatly to the birth totals.

Table 4. "Permanent Manhattan population," Kansas State College Student enrollment, and estimated "average total" populations in Manhattan for selected years, 1880 - 1952.

Year	"Permanent" ¹ population	Kansas ² State students	Estimated ³ "average total population"
1880	2,105	267	2,292
1890	2,438	593	2,853
1900	3,215	1,321	4,140
1910	5,722	2,407	7,407
1915	6,796	3,314	9,116
1920	7,989	3,395	10,365
1927	10,831	3,878	13,546
1928	10,940	3,879	13,656
1930	10,115	4,045	12,947
1931	10,136	3,928	12,886
1932	9,773	3,359	12,124
1933	10,067	2,928	12,117
1934	10,288	3,436	12,693
1935	10,537	4,261	13,520
1936	10,738	4,457	13,858
1937	11,209	4,695	14,425
1938	11,106	4,800	14,466
1939	11,117	4,910	14,554
1940	11,359	4,902	14,790
1941	11,713	4,479	14,848
1942	11,776	3,861	14,479
1943	13,579	3,786	16,229
1944	12,223	2,064	13,668
1945	12,868	5,052	16,404
1946	12,051	7,814	17,521
1947	13,875	8,166	19,591
1948	13,484	8,366	19,340
1949	15,132	7,834	20,617
1950	14,269	6,867	19,076
1951	14,005	6,200*	18,345
1952	14,000*	5,500*	17,850

¹From the Manhattan City Clerk's records, data originally compiled by the Riley County Clerk.

²From the Kansas State College Bulletin, July 1, 1951, p. 365-6. Totals include the regular school year plus the summer

school enrollment, beginning in the summer session of each year and including the following spring semester until 1944; since then beginning with the fall semester and ending in the following summer session.

3 Calculated by adding the first column to 70 percent of the second column, an arbitrary corrective factor to take into consideration: (a) the summer decline in the student enrollment; (b) those students that were permanent Manhattan residents and were thus included in the first column, about 8.5 percent in 1949 according to sampling of Royal Purple; and (c) students commuting to the campus from homes some distance from Manhattan, and hence who were not much of a factor in the economic life of the city. The resulting figure seemed more "realistic" than either the first column or a simple addition of the first two columns as the "average economic population" of the city. However, in recent years, i.e., since about 1941, the figures may be low to lack of inclusion of Ft. Riley military personnel.

*My estimates, assuming about a 10 percent decline in the student enrollment each year.

Table 5. Live births, birth rates per thousand population, deaths, and deaths per thousand in the City of Manhattan and birth and death rates in the United States, 1930 - 1951.

Year	Manhattan		U. S.	Manhattan		U. S.
	Total births ¹	Births per M ²		Total deaths ¹	Deaths per M ²	
1930	246	19.0	-	164	12.7	-
1931	258	20.0	-	162	12.6	-
1932	255	21.0	-	140	11.6	-
1933	262	21.7	-	179	14.8	-
1934	241	19.0	-	174	13.7	-
1935	255	18.9	16.9	161	11.9	10.9
1936	259	18.7	16.7	122	8.8	11.6
1937	259	18.0	17.1	185	12.8	11.3
1938	309	21.4	17.6	186	12.9	10.6
1939	363	24.9	17.3	164	11.3	10.6
1940	322	21.8	17.9	167	11.3	10.7
1941	415	27.9	18.8	198	13.3	10.5
1942	386	26.7	20.8	185	12.8	10.4
1943	474	29.2	21.5	165	10.2	10.9
1944	427	31.2	20.2	196	14.3	10.6
1945	441	26.9	19.5	143	8.7	10.6
1946	589	33.6	23.3	183	10.4	10.0
1947	741	37.8	25.8	174	8.9	10.1
1948	764	39.5	24.2	172	8.9	9.9
1949	731	35.5	24.0	201	9.7	9.7
1950	730	38.3	23.5	217	11.4	9.6
1951	754	41.1	-	204	11.1	-

¹From official records of births and deaths within the city limits kept by the Manhattan City Clerk, includes live births only.

²Calculated by dividing total births by estimated "average total population" from Table 4.

³National Office of Vital Statistics, from World Almanac, 1952.

Table 5 indicates that Manhattan's death rate has, on the average, been slightly higher than the average national rate. For the year 1950, the average death rate in Kansas was 10.1 per thousand population (see Table 5), higher than the national rate but lower than that of Manhattan.²³

Manhattan's Trading Area

One of the most important single elements making up the total "effective demand" for economic goods and services in Manhattan have been the students, faculty, and other employees of Kansas State College. In the year 1950, the student enrollment of 6,867 very likely spent an aggregate of over \$3 million (an estimate based on a per student spending of about \$50 a month during the school year). In that year the faculty's payroll amounted to some \$3,938,617 and other college employees received \$1,534,196. A goodly proportion of these amounts, which total over \$8.4 million was very likely spent in the Manhattan market.²⁴

Another considerable portion of the total demand was likely contributed by Ft. Riley military and civil service personnel. Accurate data on their purchasing power was not obtainable; however, it was widely reported that at one time in 1944 over 40,000 soldiers were stationed, or were in training, on the Fort.

The farm and village population in Riley county and other

²³World Almanac, loc. cit.

²⁴Data on faculty and other employees' payrolls from Kansas State College Comptroller Office.

nearby areas normally have made sizable purchases, and sales of their products, in Manhattan. The farm population of Riley county, which numbered 4,340 in 1945, had a total income of \$4,467,571, or an average of \$3,849 per family from the sale of their farm products for that year.²⁵

Of course, a major, if not the major, portion of the effective demand was made by the "non-college, non-Ft. Riley, non-farm" city population -- the doctors, lawyers, merchants, and so on.

Business Establishments in Manhattan

Light Industry. Facilities for the following types of contract work were available in Manhattan in 1950: welding, development of instruments and testing devices, meat processing, food freezing and storage, egg and poultry packing, job printing, building construction, and mill work. There were five agriculture processors, one poultry packing company, one livestock packer, three metal manufacturing firms, six construction materials companies, two furniture makers, one serum plant (later destroyed in the 1951 flood), one monument company, and one ice plant in the immediate city area (but not all within the city limits).²⁶ The products which were manufactured or processed in 1943 are listed in Table 6.

²⁵Department of Commerce, U. S. Census of Agriculture, Statistics for Counties, Vol. 1, Part 13, 1946.

²⁶R. H. Breckenridge, op. cit., p. 44.

Table 6. Products manufactured or processed by Manhattan industries, 1943.¹

Industry	:	Product
Agricultural	:	Ice cream
	:	Butter
	:	Cheese
	:	Commercial feed
Poultry packers	:	Shell eggs
	:	Frozen eggs
	:	Dressed poultry
Metal manufacturing	:	Testing instruments
	:	Developmental work
	:	Neon and metal signs
	:	Farm elevators
	:	Feed grinders
	:	Electric motors
Construction materials	:	Sweeping compound
	:	Insulation
	:	Concrete blocks
	:	Building stock
	:	Cabinets
	:	Millwork
	:	Door and window screens
Furniture	:	Mattresses
	:	Upholstered furniture
	:	Awnings and seat covers
Serum	:	Hog cholera virus
	:	Anti-hog cholera serum

¹"The Industrial Questionnaire Survey of March, 1943, Exhibit II, Appendix" (cited by R. H. Breckenridge, op. cit., p. 47).

Retail Establishments. A total of 380 retail establishments accounted for an estimated \$18 million sales in 1947 and \$21 million in 1948 (see Table 7 below). This evidently comprised the major portion of economic activity in Manhattan.

Manhattan's Banking, Postal Saving,
and Home Loan Trends

Manhattan has for many years been served by the Union National Bank, The First National Bank, The Manhattan Building and Loan Association and the Home Building and Loan Association, the Federal Saving and Loan Association together with other smaller financial agencies. Table 8, below, illustrates developments in commercial bank deposits and intra-city clearings and postal savings. With the figures reduced to an approximately "real" per capita basis, the secular trend for the average amounts of bank deposits has been clearly upward at an increasing rate over the period 1930-1951. The low figure, \$134 per capita in July 1933, coincides with the depth of the depression and also shortly followed the March 1933 national banking moratorium. The slow increase in the middle and late thirties, followed by the rapid spurt in the war years, a decline in the immediate post-war period, and another increase in 1950 -- after Korea -- all reflected the general national pattern. The decline in 1951 was probably partially due to losses from the early spring floodings. However since the major flood occurred in July (the data were for the end of June) other factors were evidently of more importance.

Table 7. Retail outlets and estimated sales in Manhattan, 1946
(and 1947).¹

Retail outlets	: : No. of stores : :	Sales in thousands
Apparel	21	\$1,500
	(24)	(1,700)
Automotive	31	1,500
	(40)	(2,100)
Drug stores	9	726
	(10)	(850)
Eating and drinking	36	600
	(45)	(750)
Filling Stations	40	750
	(42)	(825)
Furniture, household	10	- ²
	12	- ²
Grocery	40	3,769
	(42)	(4,250)
Hardware, lumber, elec., etc.	21	500
	(21)	(1,000)
General Merchandise	- ²	3,122
	- ²	(3,500)
Total	380	18,292
	(425)	(21,000)

Source: Manhattan Mercury-Chronicle, "Market Guide Survey"
(Special and typewritten report for Manhattan Chamber of Commerce),
1948.

²Data not available.

Table 8. Total deposits of Manhattan commercial bank, deposits per capita, "real" deposits per capita, total intra-city bank clearing, and total postal savings, selected years, 1920-1951.

Year:	Total bank deposits ¹ :(thousands)	Per capita dep. ² :(dollars)	"Real" per cap. dep. ³ :(dollars)	Total intra-city bank clearings ⁴ :(thousands)	Total Postal Saving dep. ⁵ :(thousands)
1920	\$2,297	\$222	\$155	\$ -	\$ -
1930	2,492	192	161	-	-
1931	2,338	181	167	-	-
1932	1,696	140	143	-	-
1933	1,623	134	145	-	-
1934	2,073	163	170	-	-
1935	2,401	178	181	-	-
1936	2,873	207	209	-	-
1937	3,029	210	204	-	-
1938	2,965	205	203	-	-
1939	3,005	206	207	-	-
1940	3,362	227	227	-	-
1941	3,932	265	252	-	-
1942	4,517	312	268	-	-
1943	7,639	471	381	-	416
1944	9,239	676	538	12,901	609
1945	11,288	688	535	14,047	855
1946	13,980	798	572	21,538	1,118
1947	14,053	717	449	27,947	1,162
1948	14,416	745	433	29,895	1,190
1949	15,094	732	430	30,017	1,183
1950	17,116	897	522	33,013	1,070
1951	16,538	901	483	32,825	917

¹From Dr. Raymond J. Doll, Federal Reserve Bank of Kansas City (letter of March 24, 1952); 1920-1933, deposits at end of July; 1934-1937, deposits at end of September; 1948-1951, deposits at end of June.

²Divided by estimated "average total population," Table 4.

³Second column divided by B.L.S. consumers price index.

⁴From Mr. Alvin A. Hostetler, First National Bank, Manhattan, Kansas (earlier data lost in 1951 flood).

⁵From Manhattan Post Office.

Total home loan resources in Manhattan were (in thousands): in 1929, \$1,896; in 1941, \$1,578; in 1945, \$2,244; and in 1948, \$3,031.²⁷

Other Economic Indicators

Labor. Labor unions have never been an important factor in Manhattan with the major exception of in the building trades; the musicians, postal clerks, and perhaps a few other occupations have also been unionized. According to a 1949 survey, wages for "skilled" labor ranged from 50 cents to \$3.00 an hour, "semi-skilled," from 50 cents to \$1.50, and "unskilled," from 30 cents to \$1.25 per hour. "The six firms indicating that labor turnover was high enough to be an important factor" paid an average of 95.5 cents per hour to skilled labor, 89 cents to semi-skilled, and 73 cents to unskilled.²⁸

Manhattan's population 14 years of age and older was 10,950 in 1948 of which 8,230 were considered to be in the labor force. The total employed were 7,440.²⁹

Transportation. Manhattan is located on U. S. Highways 40 and 24 and Kansas Highways 29 and 13. It has three local airports: Manhattan Municipal, Potawatomie, and Man-Kan. It is on

²⁷Manhattan Chamber of Commerce, "Manhattan Statistics," (typed data) 1949. Cf. Table 10 below.

²⁸R. H. Breckenridge, op. cit., p. 7.

²⁹Bureau of the Census, Department of Commerce, County Data Book, 1948. Cited in typed untitled report by Manhattan Chamber of Commerce.

Table 9. Freight carloads forwarded and received, 1944.

	: Grain	: Fruit	: Poultry	: Hay	: Cattle	: Other
	:	: & veg.	: & prod.	:	:	:
Carloads forwarded						
Union Pac.	235	-	302	191	4	370
Rock Is.	71	5	72	-	121	69
Carloads received						
	Fruit	Cattle	Salt & can. goods	Lumb.	Mdse.	Other
Union Pac.	-	36	163	35	365	671
Rock Is.	250	103	121	31	-	185

Source: Manhattan Chamber of Commerce and the Manhattan City Commission, Brief in Support of the Establishment of Feeder Airline Service Between Wichita, Kansas, and Omaha, Nebraska, and Intermediate Points, 1945.

Table 10. Other economic indicators; building permits by number and valuation, postal receipts, and water consumption, selected years, 1880-1951.

Year	Building permits ¹		Postal receipts ² (thousands)	Water consumption ³ (million gals.)
	Reported	Total		
	valuation	no.		
	(thousands)			
1880	\$ -	-	\$ 5	-
1890	-	-	8	-
1900	-	-	11	-
1905	-	-	14	-
1910	-	-	28	-
1915	-	-	39	-
1920	-	-	55	-
1921	275	-	*	-
1922	553	-	*	-
1923	741	-	*	-
1924	602	-	*	-
1925	646	-	78	-
1926	391	-	*	-
1927	239	-	*	-
1928	278	-	86	-
1929	293	-	90	-
1930	296	-	89	-
1931	153	-	85	428
1932	85	-	79	409
1933	33	35	82	418
1934	18	34	85	483
1935	72	62	84	469
1936	71	59	87	545
1937	172	169	92	569
1938	276	161	93	617
1939	359	277	101	667
1940	263	177	108	656
1941	377	261	122	626
1942	45	86	134	615
1943	42	99	141	604
1944	37	90	155	678
1945	442	290	158	621
1946	710	300	166	716
1947	860	426	174	737
1948	843	369	194	720
1949	951	261	222	731
1950	1,758	1,002	227	743
1951	980	222	218	710

¹From official records of Manhattan City Clerk.

²From official records of Manhattan Post Office.

³From official records of Manhattan Water Department.

main lines of the Union Pacific and Rock Island which normally, in recent years, scheduled 11 freight and 10 passenger trains daily. Three bus lines and several scheduled and unscheduled freight trucking lines serve the city. The only transport pipeline into Manhattan is used for natural gas.

Miscellaneous Information. Various other information is offered in Tables 9 and 10, above. While not analyzing this data in detail, a few features should be pointed out.

The most sensitive economic indicator obviously has been building permits. It showed an important building "boom" in the period 1922-1926 which gradually tapered in the late 'twenties -- until by 1934 reported building permit valuations constituted only about 2.5 percent of the previous high level year, 1923. A recovery was started in 1935 which was interrupted by the war shortages of 1942-1945. The extremely high figure of 1950 was partly caused by repair of hailstone damage; 861 permits were specifically for this purpose, amounting to \$575,425.

Postal services and water has had a much more inelastic demand. However even these indicators showed fluctuations, e.g., the decline in water consumption in 1933, which probably reflect the nationwide economic pressures.

Conclusions on Manhattan's Economic Structure and General Economic Trends

Manhattan since early in her history has had the characteristics of a "typical small midwest college town". Although she

has developed some light industries, her economic activity has consisted largely of the retail marketing of goods manufactured and processed elsewhere. Her businessmen have catered especially to the students and faculty of the college, the nearby farm population, and to a certain extent, to the personnel from nearby Ft. Riely.

Her general economic fluctuations have closely paralleled the broad national trends. Marked deviations from the national trends are (naturally) explainable in terms of local factors and occurrences. With this background we are now prepared to trace out in more meaningful terms specific trends in Manhattan's revenue sources.

THE REVENUE HISTORY OF THE CITY OF MANHATTAN

The original intention of this investigation was to establish a complete history of the revenues of the City of Manhattan, if possible from its very beginnings as an incorporated second-class city in 1857. However, it was soon realized that due to the almost complete unavailability of monetary data for the period before the 1920's, such a task would have probably required at the very least several months of intensive searching through and piecing together of the old and completely unorganized records (even the existence of most of which was no longer certain). Even revenue figures for the 1920's and early 1930's were extremely difficult to determine (as will be detailed below).

As a result, it was felt that in the time available much more could be accomplished by concentrating the major portion of the investigation on the revenue history of the recent twenty year period, 1933-1952, using budget and "anticipated" estimates for the latter year. Since the history of Manhattan, similar to most history, has been dynamic rather than static, and since the general purpose of delving into the past is primarily for the discovery of "useful" knowledge which can be the partial basis for future policies, it appeared that the records of the past two decades would be of more value than that of all the 77 odd years preceding history. Nevertheless through the examining of old records, primarily the City Ordinances, the broad outlines of early revenue sources and trends has been roughly established.

A General Outline of Manhattan's Pre-1933 Revenue History

The (unnumbered) City Ordinance of July 16, 1858 begins,

For the support of the City Government, the payment of the city debts, and improvements of the City, and other expenses for each current year, there shall be assessed on all real and personal property within the limits of this City a tax not to exceed one half of one per centum annually, and also a Poll tax of one dollar on each male inhabitant over twenty-one years of age ... ³⁰

Thus at almost the very outset Manhattan's founders followed the established American local governmental tradition of reliance

³⁰Manhattan Ordinance Records, Book 1, Ord. No. -, July 16, 1858, p. 2.

upon the general property tax. (It can be fairly safely assumed that the poll tax was primarily designed as an effective means of disfranchising the "undesirable element," although this has not been definitely proven.)

Other representative ordinances providing for revenue from various sources, down through the years, were: the authorization of "a special tax to aid in constructing a road to the gold regions";³¹ "The renting of the second floor of the school house to Temperance Societies @ \$5.00 per quarter";³² granting "Ira Taylor a license to sell liquors ... Fifty Dollar fee";³³ establishing fines for "rapid riding of horses and leaving them unhitched on the streets, ... One Dollar to Fifty Dollars plus cost of suit";³⁴ "for purpose of raising revenue for the year 1866 and diminishing the number of dogs within said city ... a tax of Two Dollars is levied on each dog.";³⁵ licenses required for "billiard table halls, Ten Dollars to Twenty-Five Dollars per year ... Auctioneer, Five to One Hundred Dollars per year, and ... Theatres ... amount named by Mayor";³⁶ licenses for "draymen, wagoneers, five to twenty dollars per year";³⁷ licenses for "those selling ... sheriffs, assignees, bankrupt, fire or damaged

³¹Ibid., Ord. No. -, May 28, 1860, p. 77.

³²Ibid., Ord. No. -, February 25, 1858, p. 47.

³³Ibid., Ord. No. -, July 30, 1866, p. 93.

³⁴Ibid., Ord. No. -, July 21, 1866, p. 98.

³⁵Ibid., Ord. No. -, July 23, 1866, p. 94.

³⁶Ibid., Ord. No. -, February 2, 1867, p. 112-114.

³⁷Manhattan Ordinance Records, Book 2, Ord. No. 22, September 3, 1872, p. 33.

stock sales, or otherwise not taxed ... \$20.00 per day";³⁸ the authorizing of "Storm Sewer District Number 3 ... All of the taxable property within ... shall be required to pay the cost and expense."³⁹ "a special assessment ... for payments of sewer bonds ... apportioned to each tract, piece and parcel of land ... (the) tax to be collected in 10 annual installments ... 6% interest on unpaid balances";⁴⁰ "a \$3.00 Road Tax per year ... on all male persons ...";⁴¹ for "trees in the parkings, ... costs charged to abutting property according to front foot ... to be collected as other taxes";⁴² licenses on "Hucksters ... selling fruit, vegetables ... house to house or in standing trucks ... except those of own raising or city manufacture ... \$5.00 per day plus \$2.50 for each helper or \$100 per year for each owner and \$100 per year for each helper"⁴³ and, "special licenses on Bankrupt stocks ... \$25.00 per day..."⁴⁴

On the basis of the data in the immediate post-1933 period it can be estimated that the property tax in the earlier period rarely failed to contribute less than 80 or 90 percent of the total municipal revenues -- as defined above, p. 7 -- and very likely in many years yielded an even greater proportion.

³⁸Ibid., Ord. No. 169, November 16, 1910, p. 374.

³⁹Ibid., Ord. No. 176, January 18, 1911, p. 386-387.

⁴⁰Ibid., Ord. No. 192, June 27, 1911, p. 405.

⁴¹Manhattan Ordinance Records, Book 3, Ord. 237, May 22, 1912, p. 43.

⁴²Ibid., Ord. 397, April 11, 1922, p. 397.

⁴³Manhattan Ordinance Records, Book 5, Ord. No. 676, July 26, 1927, p. 183.

⁴⁴Ibid., Ord. No. 1014, December 22, 1932, p. 351-352.

Licenses appeared to have been more for "regulative" purposes than designed to yield substantial amounts of revenue.

The only state-shared revenue in this early period appeared to be that from the cigarette tax, beginning in 1927; the only regular "functional" state aid was the "state highway link maintenance" grant which started in 1925.⁴⁵ These two sources together likely averaged less than \$4,000 a year in the late 'twenties and early 'thirties. No evidence was found of federal grants to the City before 1933 -- in the depth of the depression and the first year of the New Deal.

⁴⁵Research Department, Kansas State Chamber of Commerce, "Present Kansas Tax System, State and Local Taxes as of January 1, 1952," (a one page chart).

Derivation of Revenue Data, 1933-1952

As mentioned above, the greatest technical difficulty of this investigation was the obtaining of aggregate city revenue by revenue sources.⁴⁶ The figures for the different years, and sometimes for the same year, were available in no one single record. Various sources had to be explored, and the revenue data, -- available only as "distributed" according to the various "expenditure funds," -- "pulled out" and totaled. For example, in 1948 revenue had been daily or monthly "distributed" to the following Funds: General Operating, Street, Fire, Park, Street Lighting, Noxious Weed, Municipal Band, U.S.O., Street Machinery, Bond and Interest, Emergency Warrant, Garbage, Cemetery, Public Auditorium, Memorial Building, Police Pension, Firemen Pension, and

⁴⁶ Sources for the "distributed" revenue data were: for 1933, Brelsford and Gifford Co. (Certified Public Accountants), "City of Manhattan, City Clerk, City Treasurer, Cash Receipts and Disbursements, January 1, 1921 to September 11, 1934" (no date of audit on report. This special audit was taken in connection with the case of the City vs. Charles H. Lantz, City Clerk from 1917-1934, on the charge of embezzlement of \$67,523.21 over the period covered by the audit.); for 1934, Manhattan Mercury-Chronicle, "City Budget for 1936," August 1, 1935, p. 4.; for 1935, Brelsford and Gifford Co., "City of Manhattan, Kansas, Report on Accounts, December 31, 1935"; for 1936, "City Budget for 1938" (special broadsheet printing); for 1937 through 1946, City Clerk, "Summary of Expenditures and Revenues by Funds" (mimeographed); 1947; for 1947, "City Budget for 1949," 1948; for 1948, "City Budget for 1950," 1949; for 1949, "City Budget for 1951," 1950; 1950, "City Budget for 1952," 1951; for 1951, from the City Clerk's Cash Receipts Ledger; for 1952, as noted below, p. 49. In a few cases items classified as "miscellaneous" in City Budgets and the special summary covering 1937-1946 were found "broken down" to specific revenue sources in the annual C.P.A. reports which have been taken every year since 1935. In such cases the revenue was included under the specific source.

Library. Each of these funds had received revenues from different sources. The "arithmetic" involved in totaling, and cross-checking totals was considerable -- not even a "control" figure for the total yearly revenue from all sources was available. All figures derived were actual revenues received with two general exceptions: (a) 1952 estimates, which were taken from either the City Budget for 1952 or from the "anticipated revenue" column in the "City of Manhattan Financial Report as of March 31, 1952," and in two cases, i.e., federal grants-in-aid and "miscellaneous" revenue, the estimates of the writer; (b) For the years 1933-1941, the estimates of the writer for the value of federal benefits, largely in the form of labor services, from federal "depression-emergency" agencies (see Table 17 below). The basis for these estimates will be detailed below.

Manhattan's Recent Aggregate Revenue Trends

Quite obviously, specific increases in expenditure have been the major determinant of Manhattan's revenue history. However, since this investigation has not dealt with the detail of City expenditures, the causes of trends and fluctuations will be indicated in more general and perhaps more "basic" terms. (It might be suggested that such a detailed revenue-expenditure comparison would offer ample material for some future investigation -- by another student.)

As might have been expected in view of Manhattan's popu-

lation growth over the past two decades and the nationwide inflation during most of the same period, the trend of aggregate dollar revenue for the City has been almost continually on the uprise, from the approximate amount, \$209,166 in 1933 to \$486,951 in 1950, and an estimated \$788,615 in 1952. As indicated in Table 11 below, the yearly data are somewhat erratic throughout the period, especially in 1933-1934, 1939, and 1947-1952. The first of these two periods of major fluctuation was largely due to the substantial "injections" of aid from federal agencies. The latter is mostly the result of post-war inflation and federal grants-in-aid for the specific function of repairing flood damage in Manhattan.

In order to eliminate the "known factors," (a) population growth and decline, and (b) changes in the value of the dollar during the twenty year span, the aggregate dollar revenues were reduced to "dollar revenue per capita" and to "real revenue per capita" (see Table 11 below). It was recognized that the use of estimated population data reduced the "absolute validity" of the resulting figures; but none the less it was felt that a more meaningful, realistic picture resulted. Similarly, the reduction to "real revenue per capita" was not felt to determine the ultimate story, but it was felt that it did reveal a certain extremely important development -- a remarkable decline in "real" aggregate revenue per capita in the period 1942-1949 as compared with the previous nine years.

During the war years this trend seemed to be primarily

Table 11. Total revenues of the City of Manhattan, yearly differences, rates of change, revenues per capita, and "real" revenues per capita, 1933-1952.

Year	Total revenues ¹	Yearly differences (\neq \$)	Rates of change (\neq %)	"Current \$" revenue per cap. ²	"Real \$" revenue per cap. ³
1933	\$209,166*			\$17.26	\$18.68
1934	299,081*	\neq 89,915	\neq 43.0	23.56	24.62
1935	251,111*	- 47,970	- 16.0	18.57	18.93
1936	263,498*	\neq 12,387	\neq 4.9	19.01	19.18
1937	246,350*	- 17,148	- 6.5	17.08	16.63
1938	258,856*	\neq 12,506	\neq 5.1	17.89	17.75
1939	330,537*	\neq 71,681	\neq 27.7	22.71	22.85
1940	254,772*	- 75,765	- 22.9	17.23	17.20
1941	260,312*	\neq 5,540	\neq 2.2	17.53	16.66
1942	267,000	\neq 6,688	\neq 2.6	18.44	15.83
1943	257,563	- 9,437	- 3.3	15.87	12.84
1944	238,336	- 19,227	- 7.5	17.44	13.90
1945	259,046	\neq 20,710	\neq 8.0	15.79	12.30
1946	259,463	\neq 417	\neq .2	14.81	10.62
1947	313,006	\neq 53,543	\neq 20.6	15.98	10.01
1948	423,345	\neq 110,339	\neq 35.2	21.89	12.73
1949	408,677	- 14,668	- 3.5	19.82	11.65
1950	486,951	\neq 78,274	\neq 19.1	25.53	14.85
1951	705,784	\neq 218,833	\neq 44.9	38.47	20.62
1952	788,615*	\neq 82,831	\neq 11.7	44.18	23.30

¹The aggregate of revenues from all sources, see note 46 above.

²First column divided by estimated "average total population" from Table 4, above.

³Fourth column divided by B.L.S. consumer price index (for 1951 the September index was used, for 1952, the April index).

*Includes estimated data, see note 46 above and Table 17 below.

explainable in the decline in municipal expenditures (See Table 20 below) which in turn was due to shortages and federal control of material and manpower for construction projects and a resulting decline in the demand for revenue. Revenue declined especially from federal depression emergency agencies coming to an end in 1942 (see Table 17 below). Property tax revenue also declined, but not substantially (see Table 12 below). The other sources generally remained at previous levels or actually increased (see Tables 14, 15, and 16). But in the immediate post-war years, 1946-1949, when the City expenditures rose sharply, the "real revenue per capita" dropped even below the war years, at a time when the City debt increased rapidly (see Table 20, below)

"Dollar" revenue per capita for 1946 was only \$14.81, or over 34 percent below that of 1939; "real" revenue per capita for the same year was but \$10.62 or only 53 percent of the "real" per capita revenue of 1939. This situation may be primarily explained by two factors. First, the "estimated total population" increase of 2,967 between the two years, 1939 to 1946, was largely due to the rapidly expanding enrollment at Kansas State College, only 934 of the increase was by the "permanent" population (see Table 4 above). Now if it is assumed that the students required, and received, less municipal services than the permanent citizens, which is not too illogical, although not proven by empirical evidence, the demand for revenue per capita would decline as the proportion of students to the "average total population" increased. The second factor was the general reluctance of American

Table 12. Manhattan's revenue from property taxes, "ad valorem," intangible, "back tax," and total property taxes, and total property tax revenue/total City revenues, 1933-1952.¹

Year	: Ad valorem : tax : revenue ² :	: Intang. : tax : revenue	: Back : tax : revenue ³ :	: Total : property : tax : revenue	: Total prop. : tax. rev. : as % of : total rev. ⁴
1933	\$164,786	\$ **	\$ **	\$164,786	78.78*
1934	199,566	**	**	199,566	66.73*
1935	155,800	**	26,182	181,982	72.47*
1936	167,946	1,556	19,138	188,640	71.59*
1937	153,269	2,085	12,885	168,239	68.29*
1938	157,298	2,267	10,385	169,950	65.65*
1939	150,176	2,501	10,815	163,492	49.46*
1940	140,758	2,288	12,592	155,638	61.09*
1941	148,159	2,367	16,127	166,653	64.02*
1942	157,833	127 ⁵	8,500	166,460	62.34
1943	151,677	2,738	5,200	159,615	61.97
1944	156,657	103 ⁵	8,882	165,642	69.50
1945	149,422	3,574	3,663	156,659	60.48
1946	128,414	4,400	3,085	135,899	52.38
1947	160,317	4,566	4,029	168,912	53.96
1948	246,308	7,237	4,759	258,304	61.02
1949	226,529	7,302	3,065	236,896	57.97
1950	255,287	8,029	2,921	266,237	54.67
1951	274,454	3,132	4,722	282,308	40.00
1952*** ⁶	359,976	8,113	1,340	369,429	46.85

¹See footnote 46 for sources of data.

²Includes all current revenue from the general property tax except that on intangible personal property.

³Delinquent property taxes, may have included very small amounts of other delinquent local taxes.

⁴Fourth column divided by fourth column of Table 11 above.

⁵These figures may be erroneous, some revenue included as ad valorem could be from the intangible tax.

⁶All estimates.

*Include estimated federal grants-in-aid.

**Data evidently included as ad valorem, i.e., not kept in separate accounts.

***Estimates.

municipalities to increase taxes proportionally to the increase in the "cost of city living".

As thus "explained" the sharp drop in "real" municipal revenue per capita would appear to be a temporary rather than a long-run tendency. The sharp increase in this "time-series" in 1950, 1951, and expected 1952 is not entirely explainable by the emergency revenues required to repair flood damage (which was of course in 1951). That is, a more long term shift back to increased real revenue per capita may have started in 1950, or even a year or so earlier. This may have been due to changes in the two factors mentioned above. First, since 1948 College enrollment began to fall off rapidly. Therefore the share of the remaining "average citizen" of the increasing city expenditures would increase -- assuming that city expenditures were not greatly affected by the size of the student body. Second, the willingness of those in charge of revenue policy to take measures to increase aggregate revenues, even before the 1951 flood, appears to have been evidenced by the 35.2 percent increase in aggregate revenues in 1948 (over the previous year) and the 19.1 percent increase in 1950.⁴⁷

The individual trends in the component parts of aggregate Manhattan revenues will next be analyzed by general groups of sources and by individual sources.

⁴⁷ It is difficult to determine what revenues in 1951 and 1952 would have been had the flood not occurred; in 1951 the \$106,879 federal flood grant accounted for only 49 percent of the \$218,833 net increase over 1950.

The Property Tax in Manhattan⁴⁸

The property tax has, in the post-1932 era, varied from 78.78 percent of the (estimated) aggregate revenues in 1933 to 40.00 percent of the (actual) aggregate revenues in 1951. The trend of its relative importance as a revenue source has been undisputedly downward. In terms of aggregate dollar yields, this source was fairly stable in the depression years, 1933-1940, ranging between \$200,000 and \$155,000, gradually declining, in these years. Its aggregate yields continued to decline during the war years to a low for the decades of \$135,899 in 1946. Starting in 1947, its dollar yields began to increase to an expected high figure of \$359,976 in 1952. The reason for its dollar increase, but relative (to total revenue) decline is "obviously" because aggregate dollar revenues from all sources have greatly increased, and that the relative importance of other sources has increased.

Theoretical, technical, and administrative details of the property tax in Manhattan, e.g., the procedure of assessment and collection by Riley county as an agent for the City, will not be discussed in detail. However some features of the component parts of the total property tax revenue, i.e., that from (a) the "ad valorem" tax, which has included levies on real estate, land and improvements, as well as on tangible personal property,

⁴⁸All revenue data under this heading are in Table 12, q.v., or derived therefrom.

(b) the "intangible" tax on stocks, notes, bonds, etc., and (c) delinquent ("back") tax revenue, will be mentioned:

From the evidence it was clear that of the two primary property tax sources, ad valorem and intangible, the former has been overwhelmingly the more important. For example, in 1936 the latter comprised less than one percent of total property tax revenue, and in 1950 only a little over three percent. Revenue from delinquent taxes declined sharply from \$26,182 in 1935 to \$2,921 in 1950.

(Delinquent taxes have long been regarded as a sensitive "danger signal" by tax administrators. When tax delinquency increased, it was due, obviously, to inability or unwillingness to pay, or both. In any case, more often than not, the city government has been subject to political pressures to ease the burden. In recent decades, especially in the depression of the 1930's, such delinquencies were serious nationwide phenomena -- reflecting the general economic depression. While delinquent tax revenue has not been as sensitive an "indicator" as the delinquencies themselves, due to the time lag between the inability or unwillingness to pay until the taxpayers are actually able or willing to pay the overdue taxes, in the absence of delinquency data over the twenty year span, they have appeared to be a "good substitute." The actual delinquent revenue data for Manhattan (Table 12, above) reflects the nationwide business cycles quite clearly -- allowing for the time lag just mentioned. In addition, the influence of one local occurrence, the severe hailstorm of 1950, might very

well have accounted for the sharp increase of the 1951 figure, \$4,722, over the 1950 figure of \$2,921. On the other hand, the disastrous flood of 1951 should have, theoretically at least, reduced the ability-to-pay in that year, and lead to delinquencies and an (expected) increase in 1952 instead of an expected decrease to \$1,340. The explanation of this "contradiction" may be: (a) that the actual ability-to-pay was not seriously affected by the flood and/or (b) that the 1952 figure is an under-estimation and (c) that the amounts in the recent boom years are so small that the noted fluctuations are really insignificant, i.e. due to random factors.)

The data in Table 13, below, indicate the "tangible," including real estate as well as tangible personal property, and intangible personal property assessed valuations for the two decade period. Although the total valuations in the early 1950's were about double those of the late 1930's and early 1940's, reflecting the increased building construction and improvements of recent years, as well as the general price inflation, it has been evident that gross underestimations of the real market values have occurred throughout the entire period -- as in almost every American city. It is generally admitted that in Kansas the assessments have in recent years averaged only about 25 percent of the market values -- in spite of the Kansas statute requiring "true valuation". (Cf. the estimations of flood loss, totaling \$22.5 million. Obviously, since the great bulk of the portion of Manhattan that was inundated was "saved" and retained considerable

Table 13. "Tangible," intangible, and total property value assessments in Manhattan, 1943-1952.

Year	: :"Tangible" : property : valuations ¹ :	: : Intangible : property : valuations ² :	: : Total :
1932	\$12,673	\$1,308	\$13,981
1933	11,908	882	12,790
1934	9,966	841	10,807
1935	10,237	921	11,158
1936	10,189	899	11,088
1937	10,025	1,384	11,409
1938	10,277	1,394	11,671
1939	10,441	1,533	11,974
1940	10,530	1,316	11,846
1941	10,762	1,444	12,206
1942	11,080	1,655	12,735
1943	11,883	1,667	13,550
1944	11,640	2,004	13,644
1945	11,740	2,150	13,890
1946	11,793	2,654	14,447
1947	12,441	3,467	15,908
1948	14,044	4,281	18,325
1949	14,850	4,385	19,235
1950	16,543	4,835	21,378
1951	18,610	4,553	23,163
1952	19,671	4,868	24,539

¹From records of Manhattan City Clerk (includes real property.)

²Ibid.

economic value, some "slight" misvaluations seem to have occurred.

As might be deduced by a comparison of property tax revenues in Table 12 with the property valuations of Table 13, the property tax levy was fairly stable in the period 1933-1947. During this period total property tax revenues ranged from a low of \$135,899 in 1946 to a high of \$199,566 in 1934, and the tax levies, in mills, ranged from 11.10 in 1946 to 16.53 in 1937 -- the mode being a little over 13 mills. Since 1948, when a high for the twenty years (1933-1952) of 17.9393 was levied, the rates have been higher than the 1933-1947 period. In 1951 it dropped to 15.1780 mills; in 1952 it was 17.5188.

Statutory limitations have long been a ceiling to the maximum expansion of property tax revenues in Kansas. For example, second-class cities in the state, including Manhattan, can only levy 11 mills for "general operating purposes," 2 mills for libraries, 5 mills for street lighting, 5 mills for "water," .5 mill for airport construction and maintenance, etc. In addition there is a total limitation of 12 mills for all purposes except bond retirement (for which from 4 to over 8 mills were levied in Manhattan since 1932), and a few minor exceptions.⁴⁹ This exception has been an important one for some American cities; i.e., current expenses have been met by issuing bonds. The bonds have been promptly retired by increasing the bond tax levy.

However, in Manhattan, as throughout most of the country,

⁴⁹Supplement to General Statutes of Kansas 1949, 1951, 79-1952.

with some important exceptions, the primary reason for the declining importance of property taxes has not been these limitations.⁵⁰ Instead other factors, especially as brought to bear in the form of political protests and dissatisfaction, have forced the search for new revenue sources to be intensified.

Manhattan's Other Local Tax Revenue⁵¹

Under her taxing power the City of Manhattan has levied the following, in addition to the property tax: special assessments; franchise taxes; many types of business and trade licenses; building and "other" permits; and the dog tax. Taken as a group for the period 1933-1951 these sources' contributions varied from \$8,030, or 3.84 percent of the total from all sources, in 1933 to \$76,317, or 10.81 percent of the total in 1951. The total dollar yields, as well as the proportion to aggregate revenues, from these taxes have fluctuated considerably throughout the entire period, e.g., it rose to 9.58 percent of total revenues in 1936; two years later in 1939 it dropped back to 5.56 percent. From 1944 through 1949 the revenue from this group of taxes remained an almost constant proportion of total revenues. In the three years, 1950-1952 it increased to average around 10 percent of total revenues; this was largely explained by the increased

⁵⁰An opinion expressed by City Manager Avery in an interview of July 3, 1952.

⁵¹All revenue data under this heading are in Table 14, q.v., or derived therefrom.

revenue in these recent years from the two most important taxes in this category, special assessment and franchise taxes.

Special Assessment Revenue. Since early in its history the City has used special assessments to finance certain types of municipal improvements which, supposedly, benefited certain of her citizens more than the others: street and alley construction and surfacing, sidewalk construction, the laying of sewers and storm sewers, and in a few cases, the planting of trees in parkings. The normal procedure has been as follows: (a) the cost of the project has been determined and, usually, a contract given to a private construction company; (b) bonds have been issued to meet the immediate cost; (c) this cost has then been divided among the "beneficiaries" on a front footage basis, or in some cases according to the assessed value of the real property benefited; (d) the assessment is payable in five, or usually, ten yearly installments with the regular yearly property taxes. In a few cases when the "cost was too much for one area to bear" the assessment has been levied on all real property throughout the city.

Over most of the period covered, i.e., until 1950, the revenue collected from this source varied from apparently none in 1933 and 1935 to a high of \$11,649 in 1936. As noted above, since 1950 special assessments became of more importance, yielding \$36,395 in 1951.

Franchise Tax Revenue. This tax levied against the Kansas Power and Light Company and the Southwestern Bell Telephone

Table 14. Manhattan's local tax revenue (other than from property taxes): special assessment, license, permit, and dog tax revenue; total from group; and total / total City revenues, 1933-1952.¹

Year:	Special: : assess.: : revenue:	Franchise: : tax : revenue	License: : revenue	Permit : rev.	Dog : tax : rev.	Total :	Total as : percent : of total : revenues
1933	\$ **	\$ 6,382	\$ 615	\$ 416	\$ 416	\$ 8,030	3.84*
1934	10,187	6,264	928	902	1,202	19,483	6.51*
1935	**	7,367	2,044	713	1,316	11,440	4.56*
1936	11,649	7,912	3,738	803	1,140	25,242	9.58*
1937	10,292	8,201	2,750	135	1,393	22,771	9.24*
1938	6,370	8,108	2,061	181	1,360	18,080	6.98*
1939	6,336	8,217	2,224	44	1,551	18,372	5.56*
1940	6,210	9,476	2,513	165	707	19,071	7.49*
1941	2,946	9,237	2,208	602	1,382	16,375	6.29*
1942	2,937	9,844	1,797	334	1,753	16,665	6.24
1943	10,250	10,735	3,898	389	1,748	27,020	10.49
1944	3,596	11,411	2,571	247	1,968	19,793	8.30
1945	3,380	10,827	2,676	943	1,432	19,258	7.43
1946	3,512	9,610	4,314	1,233	892	19,561	7.54
1947	2,802	11,113	6,876	1,537	1,084	23,412	7.48
1948	6,195	13,461	7,923	1,998	2,129	31,706	7.49
1949	8,413	10,644	9,946	1,813 ²	2,081	32,897	8.05
1950	27,970	10,503	10,264	2,689	1,282	52,708	10.82
1951	36,395	26,191	10,569	1,627	1,537	76,317	10.81
1952 ³	35,000	28,000	10,000	2,500	1,700	77,200	9.79

¹For detailed explanation of derivation of data see p. 48-49 above, especially footnote 46.

²Includes some "rents."

³Estimates.

* Total revenues included an estimate of federal aid.

**Evidently either none or included in "Other and misc." revenue, see Table 15 below.

Company for use of the city streets and alleys has been based upon gross company revenues in Manhattan. It has been the most stable important revenue source for the City for the years 1933-1950. Its growing yield from \$6,382 in 1933 to \$10,503 in 1950 was apparently caused more by population growth more than any other single factor. A new contract at increased rates, which was negotiated with the power and light company, went into effect in 1951 and thus accounted for most of the increase to \$26,191 or 3.7 percent of total revenues, in 1951 and (an expected) \$28,000 in 1952.

License Revenue. This revenue source of only minor importance in the early 1930's has grown in recent years to a fairly sizable source of income, e.g., in 1951 it produced some \$10,569 or 1.5 percent of the total revenues of the City. The main reasons for the impressive gains of the 1945-1951 years have been: (a) increased enforcement of existing license requirements; (b) an increased "base" of old license requirements, e.g., more "pinball" machines, "jukeboxes", and other amusement devices (probably due to increased student enrollment); (c) increase in the rate of some licenses; and (d) some new licenses, e.g., the \$300 license on retail liquor establishments.

Permit Revenue. This very minor revenue source comes primarily from the issuance of building permits (cf. the data on building permits valuation and number, Table 10 above). In the year of its greatest dollar yield, \$2,689 in 1950 (the year of a serious hailstorm which did much damage to Manhattan property) it

amounted to only .55 percent of total City revenues.

Dog Tax Revenue. In dollar receipts, this has been another of the most stable, although minor, source of municipal revenue, rarely yielding much less than \$1,000 or much over \$2,000 a year. However, due to the factors of increasing population, increasing inflation, and increasing revenue from other sources, the \$1,316 collected in 1935 represented .52 percent of the total year's collections, while the almost equivalent amount collected in 1950, \$1,282, represented only .26 percent of the revenues of this later year (or exactly half the former proportion).

Manhattan's (Local) Non-Tax Revenue⁵²

The various City administered non-tax revenue sources have, as a group, gradually increased in importance both absolutely and relatively. Yielding \$10,295, or only 4.9 percent of total revenues in 1933, these sources yielded 25.88 percent of total revenues in 1948 and \$113,695 of the \$705,784 total revenues from all sources in 1951. This group of non-tax sources for most years accounted for more than twice the amount that local non-property taxes produced.

Fines and Fees. From a total of \$416 "credited" to this account in 1933 -- primarily from police court fines but including charges for a few other specific City services -- this revenue

⁵²All revenue data under this heading are in Table 16, q.v., or derived therefrom.

Table 15. Manhattan's local non-tax revenue by sources, total of this group, and total / total city revenues, 1933-1952.¹

Year	Fines & fees rev.	Airport rev.	Park. meter rev.	Swim. pool rev.	Cem. lots & serv. rev.	Garb. sold rev.	Trans. from Water Dept.	Count. fire call rev.	Gas test rev.	"Other & misc." rev.	Total local non-tax rev.	Total as percent of all revenues
1933	\$ 416	\$ -	\$ -	\$ -	\$ 1,461	\$ 931	\$ **	\$ **	\$ **	\$ 7,487 ²	\$10,295	4.92*
1934	645				1,404	500	**	**	**	24,427 ³	26,976	9.02*
1935	1,316				4,301	1,031	9,412	116	183	5,776 ⁴	22,135	8.81*
1936	3,537				6,292	1,066	11,073	**	**	278	22,246	8.44*
1937	2,039				7,401	1,538	9,070	278	329	2,241	22,896	9.29*
1938	2,278				7,603	1,688	8,356	159	756	3,627	24,467	9.45*
1939	2,138			5,772	6,146	2,015	19,991	352	88	7,299	43,801	13.25*
1940	2,293	911		4,475	5,245	1,410	14,112	123	88	2,574	31,231	12.26*
1941	5,508	2,204		5,575	8,009	1,785	8,881	409	72	6,260 ⁵	38,803	14.91*
1942	7,865	2,157		7,003	9,707	1,690	10,314	267	80	20,475	59,558	22.31
1943	5,332	2,469		9,111	13,163	1,365	6,758	120	96	1,594	40,008	15.53
1944	5,814	2,949		11,121	12,953	1,349	6,675	141	104	3,148	44,254	18.57
1945	7,366	1,623	14	10,223	10,784	1,689	6,600	198	88	2,404	40,989	15.82
1946	7,702	3,329	2,828	8,634	13,104	1,749	16,510	330	96	5,583	59,865	23.07
1947	11,425	3,017	19,460	10,893	16,790	776	7,395	**	104	11,150 ⁶	81,010	25.88
1948	14,489	1,761	21,444	9,792	13,824	1,772	6,330	**	72	23,433 ⁷	92,917	21.95
1949	8,591	1,986	27,263	8,635	15,943	1,887	13,533	**	88	14,251 ⁸	92,177	22.55
1950	11,237	870	27,522	9,458	13,565	1,838	22,730	**	104	15,796 ⁹	103,120	21.18
1951	12,521	1,452	18,050	10,313	12,322	1,523	6,335	149	24	51,006 ¹⁰	113,695	16.11
1952*	11,500	1,000	27,000	10,000	9,500	2,200	22,385	**	**	36,620 ¹¹	120,205	15.25

¹For detailed explanation of derivation of data see above, especially footnote 41.

²Probably includes some cigarette tax revenue and perhaps some special assessment revenue.

³May include a sizable transfer from the Water Dept.

⁴Probably includes some cigarette tax revenue.

⁵Includes \$879, rent of municipal property.

⁶Includes \$3,790 rent of municipal property.

⁷Includes \$4,658 transfer from "Street Fund," \$1,750 from sale of obsolete street equipment, and \$4,557 from "rentals and misc."

⁸Includes \$4,224 from municipal building rent, \$2,789 from "park rental and concessions," and \$1,116 from police and firemen salary deductions for pension funds.

⁹Includes \$2,360 from "reimbursed expenses," \$3,319 from municipal building rent, and \$2,054 from pension deductions.

¹⁰Includes \$4,055 from municipal building rent, \$28,752 from temporary housing provided by city, and \$2,348 from pension deductions.

¹¹My own estimate due to the conflict between "the City Budget for 1952" and "Financial Report as of March 31, 1952" (probably a minimum figure).

*Total revenues included an estimate of federal aid.

**Probably included in "Other and misc." revenue.

source yielded \$12,521 in 1951 or over thirty times the earlier figure. It was interesting to note that in regular election years, i.e., in the even-numbered years, not including the estimate for 1952, revenue from fines and fees exceeded both the preceding, and succeeding (non-election) year in the year 1936, 1938, 1942, and 1948. The revenue in the other election years, i.e., in 1934, 1940, 1944, and 1950, exceeded the previous year, but was less than the following year. With this meager evidence it is not suggested that the ordinances of Manhattan are enforced more strongly in election than in non-election years, but it would seem to lend some support to that popular notion. (Of course, the data included uncertain amounts of non-police fine revenue, which would weaken the case for this belief.) Perhaps an important reason for the 1947-1948 increase, followed by the decline of 1949, was the change of police court policy for parking violations. The penalty in 1947-1948 was a one dollar minimum fine, in 1949 this was reduced to a nominal five cents.

Airport revenue. The municipal airport, beginning in 1940 yielded minor amounts of revenue primarily from the sale of hay and alfalfa grown around the landing strips. The year of the greatest yield was 1946 when \$3,329 was received.

Parking Meter Revenue. Judging from the total revenue of fourteen dollars received from this source -- which had its statutory authorization under the police power of the City -- parking meters were only just being installed in 1945. The rapid increase in revenue in the first three or four years had leveled

off in 1949 at \$27,263, or an important 12.0 percent of total revenues, apparently at the "saturation point" of the available metered parking areas. The 1951 inundation accounted for the sharp drop in revenue in that year. During the first several years 50 percent of the revenue had been used in payment for the meters -- which however would appear to be more in the nature of a profitable investment, rather than the incurring of a "cost."

Swimming Pool Revenue. Since their completion in 1939 the two municipal swimming pools (separate units for the "whites" and the "blacks") have yielded from a low revenue of \$4,475 in 1940 to a high for the period covered of \$11,121 in 1944 -- the year of the greatest expansion of the number of Fort Riley personnel (who have always greatly patronized the pools). Since its opening the so-called "net revenue", i.e., in monetary terms after deductions of direct expenses, has averaged around \$2,000 a year.

Cemetery Lots and Services. This source of municipal revenue like most local non-tax revenues has presumably been justified by the "benefit principle." In 1934, a year of 174 deaths in Manhattan this revenue totaled \$1,404; in 1949, with 201 deaths it totaled \$15,943 (see Table 5 above). (Apparently it has not only the cost of living that has been going up). The bulk of these receipts have been used for beautifying the cemetery grounds and meeting other expenses, not for general government expense.

Garbage Sales, Country Fire Calls, and "Gas Tests."

"Country fire calls" are the use of Manhattan fire fighting equipment with the neighboring rural areas, as well as with Kansas

State College. "Gas tests" are the tests of the B.T.U. content of the natural gas supplied by the power and light company; the expense is borne by the company. These three sources together account for very minor amounts of revenue, e.g., only a total of \$1,523 in 1951 or .22 percent of total revenues. Individually, and therefore in the aggregate, they yielded almost constant dollar amounts throughout most of the twenty year period.

Transfers from the City Water Department. This municipal enterprise has throughout practically all of the twenty year span yielded generally important, although fluctuating amounts of revenue for general governmental expenditure (although technically the transfers have been into the Bond and Interest Fund, the net result has been the same). For example, the \$19,991 transfer of 1937 represented over 8.1 percent of the total revenues; ten years later the 1947 transfer of \$7,395 made up less than 2.4 percent of total revenues. The largest transfer in the period, the \$22,730 of 1950 was less than 4.7 percent of that year's receipts due to increasing inflation, expenditure and the rapid increase of other revenue sources.

Other and Miscellaneous Revenue. This City bookkeeping account was one of the most unsatisfactory aspects of the investigation; for several years the amounts included in this account were far too large for so-called "minor" revenue sources. For the period before 1943 the Cash Receipts Ledgers, which contained more detail than the published Budgets and in many cases than the audit reports, had been "filed" so thoroughly that they could not

be located. It was felt that part of the "other and misc." amounts, especially in the years 1933, 1934, 1935, 1939, and 1942 very likely contained revenue which should have been included in the sources specified above or to be discussed below. (Of course, this may or may not have been the case in all years.) For the years 1947-1951 this item, while large, was partially explainable, see the footnotes of Table 15 above. The new accounting system starting January 1, 1952 has corrected this situation by the splitting of this "catch-all" account into many specific revenue accounts.

As the result of the above, and perhaps also due to the genuinely "random" occurrence of "really miscellaneous" revenue, the trend of this source was extremely unstable, e.g., it was \$24,427 or over 8.1 percent of total revenues in 1934, \$278 or .11 percent of the total in 1936, and \$51,006 or 7.2 percent of the total revenues in 1951. If properly distributed some of this revenue would perhaps "smooth out" some of the unevenness of the other specific sources.

Manhattan's State-Shared Revenues⁵³

The taxes in this category, i.e., the retailers' sales tax, the cigarette tax, the liquor enforcement tax, and the "one-cent gasoline tax" are all levied by the State of Kansas. The revenues

⁵³All revenue data under this heading are in Table 16, q.v., or derived therefrom, except as noted.

therefrom are shared with her local units on differing bases. As a revenue source for the City of Manhattan -- taken as a group -- they have had the most rapid growth of any of the major categories of revenue from an insignificant status in the early 'thirties. For example, in 1934 they amounted to .23 percent of her total revenues, until by 1950 they represented only slightly under one dollar in eight of total municipal revenues. This was larger than the proportion received from all local taxes other than property taxes; for a few years, 1945-1947, it had about twice the yield of the latter group. In 1946, it represented its largest proportion of total revenue for the two decade period covered -- 16.71 percent. Since that date its relative importance has somewhat declined, e.g., to 10.93 percent of the total in 1951 -- in which flood year, however, it had its greatest absolute dollar yield, \$77,130. The estimated decline, in 1952, to \$54,781, or 6.94 percent of total expected revenues may be an underestimation.

Cigarette Tax Revenue. This tax (originally adopted in 1927) was the first of the State of Kansas which was regularly shared with her local units. For the period of 1933-1940 it yielded only small amounts to the City, never reaching \$2,000 in any one year. During the war years this revenue began to increase, and in the post-war period, partly because of the increase in the basic tax per pack of cigarettes from two to three cents, it climbed to a total of \$14,686, or about 2.1 percent of total revenues. According to the (corrected) City Budget for 1952 some

Table 16. Manhattan's State-Shared Tax Revenue by source,
1933-1952.¹

Year:	Sales tax rev.	Cigar. tax rev.	Liquor enf. tax rev.	"1¢ gas." tax rev.	Total state- shared tax rev.	Total as percent of total all rev.
1933	\$ -	\$ **	\$ -	\$ -	\$ -	-
1934		702			702	.23*
1935		1,177			1,177	.47*
1936		1,312			1,312	.50*
1937		1,402			1,402	.57*
1938	3,872	1,444			5,316	2.05*
1939	7,350	1,479			8,829	2.67*
1940	11,065	1,721			12,786	5.02*
1941	24,822	2,621			27,443	10.54*
1942	20,881	2,397			23,278	8.72
1943	25,265	4,613			29,878	11.60
1944	- ²	7,608			7,608	3.19
1945	32,928	8,174			41,102	15.87
1946	32,210	11,145			43,355	16.71
1947	29,839	8,793			38,632	12.34
1948	27,958	11,394			39,352	9.30
1949	27,559	12,920	1,304	3,042	44,825	10.97
1950	31,171	14,279	3,140	12,001	60,591	12.44
1951	35,036	14,686	4,358	23,050	77,130	10.93
1952***	23,781	15,000	4,000	12,000 ³	54,781	6.94

¹For detailed explanation of derivation of data see p. 48-49 above, especially footnote 46.

²No revenue in 1944 from sales tax because of delay in distribution until 1945 by Riley County Treasurer. (Delays in distribution partially account for unevenness of this "series" for entire period, 1938-1952.)

³Decline is partly due to change in division of this fund among Kansas cities, and counties, but the estimate could have been somewhat low.

*Total revenues include an estimate of federal aid.

**Probably included in "Other and misc." revenue.

***Estimates partly.

\$15,000 was expected for this year.

Sales Tax Revenue. The state sales tax, adopted in 1937, first was a source of revenue for Manhattan in 1938 when it yielded \$3,872, or almost 1.5 percent of total revenue for that year. This revenue registered steady and substantial gains, primarily due to the war and post-war inflation of the "base" of the tax, until by 1951 Manhattan received \$35,036 or almost 5 percent of her total revenue of \$705,784 from this source. The apparent big reduction in the 1952 estimate from the immediately previous year is due to: (a) a decline in the amount available for distribution by Riley County (from \$146,090 in 1951 to \$143,155 in 1952) to Manhattan and the other political units; (b) the above noted (Table 16, footnote 2) delays in Riley County distribution from this fund; (c) a possible conservativeness in the City Budget.

Liquor Enforcement Tax Revenue. This state tax, at the rate of 2 percent of the gross receipts from the sales of intoxicating liquors and beverages, was designed to compensate counties and cities in Kansas for enforcing liquor control provisions of Kansas laws 79-4101 to 79-4108 of 1949.⁵⁴ Since the period of operation has been so short, starting only in mid-1949, no "trend," in the strict sense, can be established. However, in the past three years the revenue increased from \$1,304 in 1949 to \$3,140 in 1950 and \$4,358 in 1951.

The "One-Cent Gasoline Tax." This state revenue tax, also,

⁵⁴Research Department, Kansas State Chamber of Commerce, loc. cit.

has been in effect only since 1949. The state gasoline tax was increased from four to five cents a gallon until June 30, 1953 when it is scheduled to go back to the old rate. One-fifth of the additional revenue has gone to the cities and counties.⁵⁵ Manhattan's share amounted to \$3,042 in the first year and \$12,001 in the second, and \$23,050 in 1951, when it accounted for 3.3 percent of the total City revenues. In 1952, revenue from this source was expected to decline to approximately \$12,000 -- partly due to a different division of the State Fund among the various Kansas cities and counties. (Also the City budget may have been "conservative" in its estimates).

Manhattan's State and (Estimated) Federal Aids⁵⁶

State Aids. The State of Kansas has had but one regular aid for her municipalities during the past twenty years, viz., the "state highway link maintenance grant." This has been, as the name indicates, compensation to the cities (and counties) for their maintaining of state highways within their political boundaries, being computed according to the milage of such highway "links" of the various units. Manhattan, especially in the period 1936-1948 received almost constant yearly dollar amounts of slightly over one thousand dollars a year, which accounted for

⁵⁵Ibid.

⁵⁶All revenue data under this heading are in Table 17, q.v., or derived therefrom, except as noted.

Table 17. Manhattan's grants-in-aid and other special aids from state and federal sources, 1933-1952.

Year	State grants-in-aid ¹		Various federal aids ²	Total state & fed. aids	Total as percent of all City revenues
	Highway link maint.	Other			
1933	\$ 1,053	\$ **	\$ 25,000*	\$ 26,053*	12.46*
1934	2,353	**	50,000*	52,353*	17.50*
1935	4,377	**	30,000*	34,377*	13.69*
1936	1,059	**	25,000*	26,059*	9.89*
1937	1,043	**	30,000*	31,043*	12.60*
1938	1,043	**	40,000*	41,043*	15.86*
1939	1,043	**	95,000* ⁴	96,043*	29.06*
1940	1,043	**	35,000* ⁵	36,043*	14.15*
1941	1,041	**	10,000*	11,041*	4.24*
1942	1,041	**	**	1,041	.39
1943	1,041	**	**	1,041	.40
1944	1,041	**	**	1,041	.44
1945	1,041	**	**	1,041	.40
1946	780	**	**	780	.30
1947	1,041	**	**	1,041	.33
1948	1,065	**	**	1,065	.25
1949	1,879	**	**	1,879	.46
1950	4,294	**	**	4,294	.88
1951	4,294	5,159 ³	146,879 ⁶	156,332	22.15
1952***	17,000	**	150,000 ⁷	167,000	21.18

¹For detailed explanation of derivation of data see p. 48-49 above, especially footnote 46.

²The writer's estimates, based on the special Manhattan "work relief" or "public works" bonds issued, specific grants noted below, and the general federal public works and relief programs.

³Grant for "police radio equipment."

⁴Included approximately \$27,300 received for construction of the two municipal swimming pools.

⁵Included \$13,101 municipal airport grant.

⁶\$106,879 from disaster relief grant, the remainder, \$40,000, was saved when the Army Engineers performed flood clean-up work. The actual cost to the army was approximately \$88,000, but the City was prepared to spend only \$40,000 for this project, had it been necessary, (City Manager William B. Avery, loc. cit.). The private citizens would evidently have been responsible for the

remaining clean-up work.

⁷The writer's estimate, based on article by William B. Avery, loc. cit. He estimated a total of \$300,000 would eventually be received from this source, including the 1951 amount.

*The writer's estimates for federal aids, or include these estimates.

**Evidently none or negligible amounts.

***Estimates.

from .44 percent to .25 percent of the increasing total City revenues. In the years 1934 and 1935 the amount was somewhat higher. Starting in 1949 the grant was raised to over \$4,000 a year, and in 1952 \$17,000 is expected due to a more liberal State policy. Information to indicate any other direct Kansas grants-in-aid was lacking, with one exception, a \$5,159 grant in 1951 for "police radio equipment."⁵⁷ (Kansas grants for educational and welfare purposes go to the school districts and counties.)

Federal Aid. Information regarding federal grants-in-aid was also very scanty. Approximately \$27,300 was received in 1939 for the construction of the two municipal swimming pools. \$13,101 was granted for the Municipal Airport in 1940. In 1951 a \$40,000 City expenditure for flood clean-up was avoided by the performance of this project by the Army Engineers (see footnote 6, Table 17 above). The largest single federal grant was a "theoretical" \$462,500 approved under public law 875 after the 1951 flood. However, "due to definitions of this law, ... (the City) would not be permitted to make expenditures for much more than \$300,000 of the approved project."⁵⁸ Of this amount some \$106,879 was received in 1951. Neither the "City Budget for 1952" nor the "Financial Report as of March 31, 1952" indicated how much was expected from this source in 1952 -- apparently because of its

⁵⁷It is possible that certain special state, and federal, aids have been placed under "Other and misc." receipts. A request to the Kansas Commission of Revenue and Taxation for detailed information of Kansas grants to Manhattan brought the reply, "Information not available."

⁵⁸William B. Avery, loc. cit.

"special nature"; therefore the \$150,000 in Table 17 was the writer's estimate.

Other than the grants just mentioned, no record of specific federal aid was found. However, during the depression years 1933-1941, the City benefited from several federal and at least one state relief and public works agencies, especially from the FERA and until their abolishment the KERA (which received the bulk of its funds from the federal government), the WPA and the PWA. No records were kept of the monetary value of this aid by the City presumably because of its emergency status in the early years and because of its primary form -- the labor services of men employed by the special agencies. These men were used in municipal construction and maintenance projects, e.g., sewer laying, paving of streets, building retaining walls, etc. The city was usually responsible for providing the materials used as well as the overall supervision of the projects and other sundry expenses involved. In order to finance her share of the expenses, the City issued series of "work relief" and "public works" bonds. As a very rough and likely minimum estimation, it has been assumed that the value of these labor services approximately equaled the special bonds issued. While an estimation on such a basis is admittedly a very crude one, it was believed that it was better than no estimation at all; the history of Manhattan revenue for the period 1933-1941 would be misrepresented with its exclusion.

Total State and Federal Aids. The proportion of the esti-

mated total state and federal aids to total revenues has been indicated in the last column of Table 17. (It was rather superfluous to carry the figures out to a hundredth of one percent for the periods 1933-1942 and 1952, in view of the estimates involved. However, for some minor sources, e.g., state grants during 1942-1950, represented much less than one percent of total revenues, the figures were actual revenues. In order to present consistent tabulations, all data were carried out to the same degree.) Increasing from 1933 to 1934, the proportion declined in 1935 and 1936. It rose to an estimated \$95,000 in 1939, including approximately \$27,300 for the construction of two municipal swimming pools. This \$95,000 was 28.63 percent of all City revenues for that year. From 1942 through 1950, Manhattan apparently received little or no federal or state grants, other than that from the regular state highway link maintenance aid. In 1951 and 1952, as mentioned, very substantial grants were obtained from the federal government.

Summary of the Trends of the Revenue Sources of Manhattan
(as Compared with National and Kansas Trends)

Aggregate Revenue Trends. The data in Table 11, above, probably constitute the best "recap" of the trend of aggregate revenues of the City of Manhattan. The increase in aggregate dollar revenues through the first fifteen of the twenty year span was relatively slow -- and actually declined during the war years. However in more recent years the increase has been much faster, pri-

marily due to inflation and, of course, to the 1951 flood. The 1951 aggregate revenues were well over twice the 1947 receipts of \$313,006. In view of the influence of the flood, the 1950 revenue of \$486,951 would seem more "representative" of the gradually increasing post-war trend of aggregate revenues.

The most noteworthy development was the sharp decline in the "real" per capita revenue during most of the period. A comparison of Table 11 with Table 1 is informative (also cf. Table 2.). Although Table 1 includes all local governmental revenue, the cities' (of the United States) portion was 47.7 percent in the year 1932 (see footnote 4 above); this percentage of the 1933 average "real" per capita "all local revenue" is \$17.15, as compared with the 1933 "real" per capita revenue in Manhattan of \$18.68. This would indicate that for 1933 at least Manhattan received about "the average" revenue for an American city. On the assumption that the proportion of city to total local receipts remained about the same, Manhattan has been a surprisingly "representative American city" -- in her per capita "real" revenue. During most of the 1933-1941 period it was slightly higher, probably due to the inclusion of PWA aid, etc., in the Manhattan data, and in the 1941-1950 years it was slightly lower than the national (apparent) average.

The Changing Importance of the Different Revenue Sources.

The fluctuations in relative (percentage) importance of Manhattan's revenue sources, classified as, (1) the general property tax, (2) other local taxes, (3) local (city) non-tax sources,

(4) state-shared taxes, and state and federal aids, has been summarized in Table 18 (below). To further illustrate the continual shifts in importance of these various groups they have been ranked in Table 19, by year, according to their relative yields.

(1) Property taxes retained their first rank throughout the period, but by a narrowing though fluctuating margin. (2) "Other local taxes" have varied from third to last in importance of the five groups. (3) "Local non-tax sources" have been generally in the third rank during the 'thirties and the second rank in the 'forties. (4) State-shared taxes have had the most fluctuations in importance during the twenty years, having held every "rank" except first. (5) State and federal grants were the second most important source in the "emergency years," 1933-1940, and again in 1951-1952. In the years 1942-1950 they were the least important group of revenue sources.

Manhattan and the National and State Revenue Trends of the Main Groups of Sources. (Cf. Tables 2, 3, and 18.) As outlined above, p. 10-26, while certain broad tendencies are apparent when all the larger municipalities of the country are averaged, the range or scatter of the individual cities from the central pattern is considerable. While statistics of all American cities were not available, Table 2, above, summarized the trends of those cities over 25,000. From this Table the following groups of revenue sources have been expressed as percentages of the "total general revenue" (for the years 1943, 1945, 1947, and 1949,

Table 18. Summary of the major sources of Manhattan by major revenue groups, 1933-1952 (percentages).

Year	Prop. : tax : rev. ¹ :	Other : local : tax : rev. ² :	Local : non-tax : rev. ³ :	State : shared : tax : rev. ⁴ :	State : & fed.* : aid : rev. ⁵ :	Total : all : rev. ⁶
1933*	78.78	3.84	4.92	**	12.46	100.00
1934*	66.73	6.51	9.02	.23	17.50	99.99
1935*	75.59	4.56	8.81	.47	13.69	100.00
1936*	71.59	9.58	8.44	.50	9.89	100.00
1937*	68.29	9.24	9.29	.57	12.60	99.99
1938*	65.65	6.98	9.45	2.05	15.86	99.99
1939*	49.46	5.56	13.25	2.67	29.06	100.00
1940*	61.09	7.49	12.26	5.02	14.15	100.01
1941*	64.02	6.29	14.91	10.54	4.24	100.00
1942	62.34	6.24	22.31	8.72	.39	100.00
1943	61.97	10.49	15.53	11.60	.40	99.99
1944	69.50	8.30	18.57	3.19	.44	100.00
1945	60.48	7.43	15.82	15.87	.40	100.00
1946	52.38	7.54	23.07	16.71	.30	100.00
1947	53.96	7.48	25.88	12.34	.33	99.99
1948	61.02	7.49	21.95	9.30	.25	100.01
1949	57.97	8.05	22.55	10.97	.46	100.00
1950	54.67	10.82	21.18	12.44	.88	99.99
1951	40.00	10.81	16.11	10.93	22.15	100.00
1952***	46.85	9.79	13.14	9.05	21.18	100.01

¹From Table 12 above, p. 53.

²From Table 14 above, p. 62.

³From Table 15 above, p. 65.

⁴From Table 16 above, p. 71.

⁵From Table 17 above, p. 74.

⁶Total of first five columns. (This indicates that most of the "arithmetic" had been correct, if nothing else. Differences from 100.00 are presumed to be due to rounding.)

*Total revenues include estimates for federal aid, 1933-1941.

**Probably included in "other and misc." revenue in the group of local non-tax revenues.

***Estimates.

Table 19. Rankings of relative importance of the five groups of Manhattan's revenue sources, property taxes, "other local taxes," "local non-tax sources," state-shared taxes, and state and federal aids, 1932-1952.

Year	Order of importance ¹				
	(1)	(2)	(3)	(4)	(5)
1933*	Prop. T.	Grants	L.Non-T.	O.L.Tax	State S.
1934*	"	"	"	"	"
1935*	"	"	"	"	"
1936*	"	"	O.L.Tax	L.Non-T.	"
1937*	"	"	L.Non-T.	O.L.Tax	"
1938*	"	"	"	"	"
1939*	"	"	"	"	"
1940*	"	"	"	"	"
1941*	"	L.Non-T.	State S.	"	Grants
1942	"	"	"	"	"
1943	"	"	"	"	"
1944	"	"	O.L.Tax	State S.	"
1945	"	State S.	L.Non-T.	O.L.Tax	"
1946	"	L.Non-T.	State S.	"	"
1947	"	"	"	"	"
1948	"	"	"	"	"
1949	"	"	"	"	"
1950	"	"	"	"	"
1951	"	Grants	L.Non-T.	State S.	O.L.Tax
1952**	"	"	"	O.L.Tax	State S.

¹According to Table 18 above, p. 81.

*Total revenues include estimates for federal aid, this determines the ranking of federal and state aids, but the other four groups, relative to each other, have not been affected.

**Based on estimates.

respectively): Property Taxes, 66.1 percent, 63.2 percent, 56.5 percent, and 53.3 percent; Sales taxes, 4.2 percent, 4.7 percent, 8.0 percent, and 9.7 percent; Licenses and other taxes, 4.8 percent, 4.8 percent, 5.2 percent, and 6.1 percent; "Aid from other governments" (over 90 percent from the states) 16.9 percent, 17.9 percent, 19.5 percent, and 20.3 percent; and "Charges and misc.", 8.0 percent, 9.4 percent, 10.8 percent, and 10.6 percent.

(1) Manhattan's property taxes. During these four years, i.e., 1943, 1945, 1947, and 1949, property taxes of Manhattan contributed only slightly less than the national large city average. As compared with the average of the ten first-class cities, not including Kansas City or Wichita, Manhattan, for the period 1941-1950, on the average relied somewhat on the property tax, although in 1948 this relationship was reversed by a narrow margin.

(2) Other local taxes. The Manhattan revenue sources placed under this category were approximately the same as the national large city classification, "Licenses and other taxes" and the Kansas cities' "License and Privilege taxes." Manhattan's revenue from this group of sources yielded a somewhat higher proportion than that of the American large cities, and about the same, on the average, as those of the Kansas cities.

(3) Local non-tax revenue. Although there may have been some slight differences in classification, the "Charges and misc." revenues of large American cities and the sum of (a) "Fines and fees", (b) "Charges", (c) "Trust fund receipts", and an unknown part of (d) the (minor) "Misc." revenue sources were apparent-

ly about the same sources as Manhattan's "Local non-tax revenue." On this assumption, Manhattan has received considerably more from this group of sources than has either the average large American city or the average first-class Kansas municipality.

(4) State-shared tax revenue. In the summary of American cities (Table 2) there is no specific classification of revenue by this source. Apparently the group, "Aid from other governments" included state-shared taxes other than sales taxes as well as grants-in-aid. However the "Shared state taxes" of the ten Kansas municipalities (Table 3) is quite similar, on the average, with the Manhattan revenue from this source. The latter received a higher percentage than the ten Kansas cities in the early 'forties and a somewhat smaller portion in the latter part of that decade.

(5) State and federal aid. "Aid from other governments", as just noted, evidently includes state-shared as well as functional grants-in-aid. Nevertheless many other states have been more liberal than Kansas in the granting of such functional grants. The classification of the Kansas municipalities (Table 3) did not include grants as a specific revenue source -- evidently because of their very minor nature (in the period covered). In view of Manhattan's negligible revenue from this source in "non-emergency" years, she has followed the Kansas municipal revenue pattern.

Manhattan's Aggregate Debt and (Approximate)
Expenditures, 1933-1952

While the Manhattan City expenditure and debt history were not the subject of this investigation, their direct and indirect causal relationships to the revenue history have been clear. The details of this debt and expenditure record have not been dealt with except in a few specific cases. However, it was felt that, at the very least, the aggregate debt and expenditure figures for the 1933 through 1951 period should be presented.

As indicated by the first and second columns of Table 20, below, during most of the period 1935-1946 the aggregate bonded debt was continually and substantially reduced: in 1946 the aggregate dollar debt was only 36.4 percent of that of 1934. From 1947-1950 the debt rose sharply; the 1950 debt of \$1,430,234 was almost five times the 1946 figure. A great part of the increase was accounted for by the \$500,000 municipal building bond issue of 1947. However due to the increasing high cost of building construction and material shortages, and in the anticipation of future lowering of costs, the receipts from this issue have not yet been used.

"Yearly aggregate revenues \pm net yearly changes in the aggregate debt" should, by definition and practice, equal "yearly aggregate expenditure \pm yearly net changes in aggregate current assets." The latter term includes special funds designated for future expenditure, e.g., the \$500,000 municipal building fund. As the actual City expenditures included gross expenses of the

Table 20. Manhattan's total bonded debt, yearly net changes in debt, aggregate revenues, "approximate aggregate expenditures / designated funds for expenditures," and aggregate revenues/"approximate expenditures, etc.," 1933-1952.

Year	: Aggregate : : debt ¹ :	: Net : : changes : : in : : debt :	: Aggregate : : revenues ² :	: "Approximate : : aggregate : : expenditures : : etc." :	: Agg. rev. as : : percent of : : "Appro. exp., : : etc." ⁴ :
1933	\$ 773,592	/ \$113,958	\$209,166*	\$323,124	64.73
1934	782,336	/ 8,744	299,081*	307,825	97.16
1935	716,117	- 66,219	251,111*	184,892	135.81
1936	677,129	- 38,988	263,498*	224,510	117.37
1937	661,267	- 15,862	246,350*	230,488	106.88
1938	610,604	- 50,663	258,856*	208,193	124.33
1939	573,548	- 37,056	330,537*	293,481	112.63
1940	532,473	- 41,075	254,772*	213,697	119.22
1941	560,082	/ 27,609	260,312*	287,921	90.41
1942	531,054	- 29,028	267,000	237,972	112.20
1943	464,861	- 66,193	257,563	191,370	134.59
1944	402,751	- 62,110	238,336	176,226	135.24
1945	326,781	- 75,970	259,046	183,076	141.50
1946	284,228	- 42,553	259,463	216,910	119.62
1947	765,937	/ 481,709	313,006	794,715	39.39
1948	1,121,698	/ 355,761	423,345	779,106	54.34
1949	1,373,128	/ 251,430	408,677	660,107	61.91
1950	1,430,234	/ 57,106	486,951	544,057	89.50
1951	1,406,804	- 23,430	705,784	682,354	103.43
1952**	-	-	788,615	-	-

¹From Official Records of Manhattan City Clerk. (Debts as of end of each year. The 1932 debt was \$659,634.)

²From Table 11, above.

³The sum of the second and third columns.

⁴Fourth column divided into third column.

*Include estimated federal aids.

**Estimate.

Water Department, which, e.g., amounted to \$94,850⁵⁹ in 1943 and \$173,730⁶⁰ in 1950, and because of the availability of the debt and revenue figures, the above formula has been used to derive yearly "expenditure \pm net changes in current assets" as an "alternate" to the actual expenditures. (See the fourth column of Table 20.) This time-series would appear to summarize fairly clearly the general relationship between aggregate revenues and "expenditures and approximate expenditure designations." (This statement would have to be qualified by the fact that the amounts required in the City bank balances for day to day purposes fluctuated, e.g., from \$14,020 in 1936 to \$60,143 in 1944, and \$88,175 in 1950.⁶¹)

This "index," of revenues to "expenditures, etc.," indicated that in seven years of the 1933-1951 period revenues were less than "actual and designated (future) expenditures," i.e., in 1933-1934, 1941, and 1947-1950. During the depression years, 1935-1940 the City's revenues exceeded "expenditures, etc." by a goodly margin (quite at odds with the doctrine of Keynes, be it noted). In the war years 1942-1945 this trend continued, revenues exceeding "expenditures, etc." by an even wider margin. (For this inflationary period, however, it can be assumed that Keynes would have given his approval of these "surpluses.") The sharp increase of actual and "earmarked funds" for capital expenditures largely

⁵⁹City of Manhattan Budget for 1945, 1944.

⁶⁰City of Manhattan Budget for 1952, 1951.

⁶¹These figures derived from sources cited in footnote 46 above.

accounted for the large "deficits" of the immediate post-war period.

THE ISSUES OF NEW MUNICIPAL REVENUE: MANHATTAN
AS A CASE STUDY OF A NATIONAL PROBLEM

The preceding survey of recent revenue trends of the City of Manhattan has been more empirical than deductive, more descriptive than analytical. In many cases, however, general or specific (national and local) economic or non-economic forces which were believed to have accounted for particular secular trends or short-run fluctuations in her revenue have been pointed out. It has been assumed that the major factors and issues affecting municipal revenue in the United States discussed above under A SYNOPSIS OF MUNICIPAL REVENUE PROBLEMS IN THE UNITED STATES (p. 9-26) apply to the City of Manhattan. There seems little point in repeating in detail this discussion which is only slightly affected by Manhattan's local deviations from the national pattern -- especially in view of her close ties with the national economic general trends, as well as the remarkable similarity with few exceptions of her aggregate and specific revenue trends with the national trends. (The main recent single factor differentiating her revenue trends was the damage wrought by the 1951 floods. This disaster accounted for the greater part of the increase in revenues of 1951 and estimated 1952 and will likely be an influence for many years to come.) However, the following brief outline of future revenue issues -- particularly as they

apply to Manhattan, but none the less typical of the national problems -- seems warranted.

Logically the main issues of future City revenue can be resolved into three components: (1) How much aggregate revenue will Manhattan require? (2) From which sources will it be drawn? (3) From which sources "should" future Manhattan revenues be secured? (This third issue could have been included under the second. It has been dealt with separately to facilitate the separation of "facts" and the writer's value judgments -- insofar as that was possible.)

How Much Revenue Will Manhattan Require?

This, of course, like any prediction, ultimately reduces to the projection of past trends into the future, weighed, in some cases by what are conceived to be likely future changes. The deciding of the length of the time period upon which to base the trend is just one of the difficulties encountered in the procedure.

The statistician who is searching for a magic formula that will enable him to forecast automatically is foredoomed to disappointment. Although it is perhaps a slight exaggeration, it may not be out of place to borrow from Dante and issue the following warning to those who approach the portals of prophecy: "abandon hope, all ye who enter here."⁶²

Perhaps Drs. Croxton and Cowden are exaggerating in this

⁶²Frederick E. Croxton and Dudley J. Cowden, Applied General Statistics, 1946, p. 822.

condemnation of a widely-practiced "art." For example, the predictions that "the sun will rise tomorrow," or "this apple will fall when it is released" would seem to have a high probability of coming to pass. On the other hand, the probability of "the aggregate revenue of the City of Manhattan being \$1,003,250 in 1960" would not seem as great.

Such questions as, "Will there soon be another World War?" or, "If not, when will another depression arrive?" or, "When will another local 'natural disaster' occur" are obviously unanswerable, however important to the future revenue trends of Manhattan they may be -- by this student at least. Similarly, the basic attitudes and actions of the Manhattan citizens in the coming years cannot be predicted with absolute certainty. However by taking the "long-trend point of view," and disregarding the above, especially the "endogenous possibilities," as "random factors," or frictional elements in view of a long-term prospect of increasing population, it can be fairly safely assumed that the City of Manhattan will require ever increasing aggregate amounts of "real" revenue for the "foreseeable future."

In sum, the future aggregate revenue requirements of Manhattan will be largely determined by expenditure requirements and to a much lesser degree debt policy. Since the people of Manhattan, over the 1935-1946 period at least, have been conservative about deficit financing, it seems a "safe bet" that future expenditures will be the major determinant of the demand for aggregate revenue. More likely than not, these future aggregate

expenditure will continue to increase.

Whether "real" revenue per capita will remain about that of the 1940-1950 average, after the flood damage is substantially financed, does not seem to be certain. It is quite possible that the municipal services per capita have reached their saturation point in Manhattan; on the other hand the long-run upward trend (of the past almost 100 years) might be continued.

As a general rule as American cities have grown in population both the variety of municipal services offered has increased. It is possible that the citizens of a future much larger Manhattan might demand, e.g., more city parks with more elaborate amusement facilities, more and bigger musical organizations, perhaps a museum of fine arts, and extensive street widening and "de-dipping" program, more and better sidewalks, better street lighting, summer educational programs for children, increased health inspection and enforcement, etc. Whether the trend will actually be in this direction is a moot point; the local citizenry have been quite cautious regarding such "non-essentials."

From Which Sources Will Future Manhattan Revenue Be Secured?

The recent fluctuations in the relative importance of the various main groups of revenue sources for Manhattan have been summarized in Tables 18 and 19 above.

(1) Property Taxes. It seems not unlikely that the trend of rapidly decreasing relative importance of the property tax will

continue in Manhattan. The taxpayers in reaction against the high levies of 1952 -- when an all time high of \$359,976 was expected from this source -- may very well be in a mood to increase political pressure to ease this burden. It is also possible that this declining trend will level off if general economic conditions stabilize, or, under certain condition, e.g., if total revenues decline sharply, even increase in relative importance. Of the three possibilities the first seems the most likely.

(2) Other Local Tax Revenues. This rather minor but increasingly important group of taxes could conceivably become of even greater importance in Manhattan -- if the recent trend is continued. The main drawback to date, in addition to local resistance, has been the lack of Kansas statutory authority for new types of local taxes. Of the eleven most important local non-property taxes in the United States (see page 18 above) only one was authorized by the State of Kansas for municipal use, viz. the public utility franchise tax.⁶³

(3) Local Non-Tax Revenues. These non-tax sources were, as a group, second in importance to property taxes in Manhattan from 1942 through 1950, with the exception of 1945. These also, theoretically, could and judging by their recent history probably will, become of even greater relative importance. For example, one important source from this group, the "profits" of the City Water Department could, due to its monopoly position and to the

⁶³Research Department, Kansas State Chamber of Commerce, loc. cit.

inelastic demand for its product, be substantially increased. (Even if the rates per gallon remain the same, i.e., are not increased, as long as the population continues to grow the "net profit" from this source should increase. This is due to the fact that "water industries" normally represent illustrations of the classical industry of declining costs. To the point where major additional equipment is required, costs per gallon do not increase in proportion to the increased revenue. Even beyond this point after the immediate additional expenses have been absorbed revenue from this source will increase as the costs per gallon will continue to decline. This cost structure appears to hold true for the Manhattan water system.) Various services now given "free" could be changed to a fee basis. The various fees, etc., now charged could be further increased. How long such a policy would be politically feasible is another question.

(4) State-Shared Taxes. The future of this group of sources -- "third ranking" for most of the period 1941-1950 -- seems secure. More likely than not, judging by the recent trends and the evident willingness of the local people to accept "tax relief," state-shared taxes could become even more important in the future. Of more importance, however, than the willingness of the local governments to share state taxes is the willingness of the latter to do the sharing. This, as with most political matters, is hard to forecast. Nevertheless, the writer feels that the recent trend of their increasing importance probably will continue. Their relative decline in importance in 1951-1952

appeared to be only temporary -- due primarily to the influx of federal relief aid.

(5) State and Federal Aids. These sources of revenue, depending as they have in the past upon emergency local or national conditions seem the least predictable of the five groups of sources. In any case their availability will largely be outside the control of the Manhattan government. In other states these revenue sources, especially state grants-in-aid, have been fairly substantial; but the temper of the legislature of Kansas does not now appear to favor their future extension to a position of major importance. The federal government under the past twenty years of Democratic control have been liberal with grants and other aids. If the Republicans return to power this policy may be greatly altered.

From Which Sources "Should" Future Manhattan Revenue Be Secured?

It will be assumed that, as a group, the citizens of Manhattan have been getting their "money's worth" for their tax dollars; the question in point is whether or not the particular revenue sources, and their relative importance, have been in their distribution of the public burden justified, and therefore whether they should be continued according to recent trends, or whether they should be more or less drastically revised.

A tax is "a compulsory contribution from the person to the government to defray the expenses incurred in the common interest of all, without reference to special benefits

conferred."⁶⁴

Most economists and writers on public finance at the present time have gone over to the principle of ability to pay...⁶⁵

There is no mystery about tax returns. Stripped of political and psychological considerations, there are two primary sources of all taxation -- property and income. No matter how much covering up is done, nor what labels are conceived, all taxes come back to these sources. In the last analysis it is better to approach these sources directly than through subterfuges that only deceive the taxpayer.⁶⁶

If the above philosophy -- with which this student is in general agreement -- had been followed by American municipalities, the only taxes levied would have been direct taxes on property and income. (And it should be noted that income rather than property has more and more come to be recognized as the ultimate source of governmental revenue.) Under such a system the degree of progressiveness or regressiveness of particular and aggregate taxes would not necessarily be drastically changed from the present conditions. However the issues would be much more clear-cut; the obscure "net incidence" of the present jungle of largely shifted taxes would be greatly clarified.

On the other hand, it may be that in some instances the benefit principle does seem to be the most "common sense"

⁶⁴E.R.A. Seligman, Essays in Taxation, 9th ed., 1921, p. 432. (Cited by Paul F. Gemmill and Ralph H. Blodgett, Current Economic Problems, 3rd ed., 1947, p. 255.)

⁶⁵Paul F. Gemmill and Ralph H. Blodgett, op cit., p. 259. (Underlining by this writer.)

⁶⁶Harold M. Groves, Director of Research Staff, Report of the Commission on the Economic Study of Milwaukee, 1948, p. 9. (Underlining by this writer.)

criterion of justice.

Many persons have held in the past that a tax ... should be considered a payment to the government, because of, and in proportion to, benefits received from it.⁶⁷

It is this principle together with the "state-partnership" and the "privilege" doctrines which apparently have been the justification for the various and sundry municipal non-property taxes (as well as charges). Other revenue sources, e.g., the dog tax, the cigarette tax, the liquor enforcement tax have been, at least in theory, more in the nature of penalties designed to indicate social disapproval of so-called vices and nuisances.

In the final analysis the goodness or badness of a particular revenue system -- like so many economic and political matters -- is decided along the lines of the general philosophy of the judger and cannot be absolutely "proven" or "disproven." From the major doctrines propounded to justify the various distributions of the public burden, i.e., the benefit doctrine, the privilege doctrine, the State-partnership doctrine, the objective ability doctrine, the subjective sacrifice doctrine, etc., a judicious selection can exonerate practically any scheme. Since this study has not definitely established (a) the degree of shifting of the tax burden (of either Manhattan or American cities in general) or (b) the degree of the aggregate burden, this writer's personal judgment on their ultimate justice or injustice is not offered.

⁶⁷Paul F. Gemmill and Ralph H. Blodgett, op. cit., p. 264.

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RECENT TRENDS OF THE REVENUE SOURCES OF THE
CITY OF MANHATTAN, KANSAS

by

LAWRENCE ALBERT LEONARD

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Purpose. The intent of this investigation was to determine trends of revenues, in the aggregate and by sources, of the city of Manhattan, Kansas. In addition, it was desired to discover the main causes, particularly the economic causes, which were responsible for the shaping of these revenue trends.

Manhattan revenue was defined as "all those gross receipts -- primarily, but not wholly in monetary form, i.e., including other economic goods and services (from such federal agencies as the P.W.A. and the W.P.A.) -- received by the City of Manhattan from any source, with the exceptions of (a) long or short-term borrowings and (b) general receipts of the City Water Department."

The Problem. The problem was basically (1) the establishment of the quantitative time-series of the monetary history of the various revenues, aggregate and particular, of the City and (2) the ascertainment of the causes of the characteristics of these time-series.

The General Method. The general method was essentially historical-descriptive. The nature of part (1) of the problem determined its solution, i.e., the simple (but time-consuming) procedure of locating and synthesizing the available revenue statistics, which had been distributed by City function or fund.

Part (2) of the problem was more complex; causal relationships in the social sciences are difficult to establish with any degree of certainty. The starting point hypothesis was that the revenue history of the City of Manhattan was fairly representative of revenue histories of municipalities throughout the United

States. A brief survey was made of American municipal revenue history (for cities over 25,000 for most statistics, cities over 10,000 for some -- data for all cities were not available).

A knowledge of the basic economic structure and economic trends of Manhattan was essential to a comprehensive understanding of her revenue history; therefore the next step was an attempt to establish at least a first approximation of this history, primarily by a study of various quantitative economic indicators. After Manhattan's economic structure and trends were ascertained, they, and especially the economic trends, were compared with that of the so-called average large American city. In the same manner her revenue trends were compared with the national municipal revenue trends, and also with the revenue trends of ten first-class Kansas cities.

Principal Results Obtained. Time series were established for specific Manhattan revenue sources and for the aggregate revenue for the period 1933-1952, with estimates for the last year. (Due to the difficulties involved in obtaining earlier statistics, it was felt that in the time available much more could be accomplished by concentrating the major portion of the investigation on this recent twenty-year period.) The most noteworthy trend of aggregate revenues, reduced to "real" dollars per capita, was its decline during the years 1943-1949 to a level approximately 55 percent of the 1933-1942 average, e.g., \$19.18 in 1936 to \$10.62 in 1946. This decline was in great part due to the existence of major aids from federal agencies, e.g., the P.W.A. and the W.P.A.

in the 1933-1941 years (largely in the form of labor used to lay sewers, pave streets, lay sidewalks, etc., upon which this writer placed an estimated valuation).

The changes in relative importance of the major groups of revenue can be illustrated by the comparison of their 1935 percentage contribution to total revenues with the contributions in 1950 (a post-war, pre-flood year): (1) property taxes, 1935, 75.6 percent, 1950, 54.7 percent; (2) other local taxes, 4.6 percent and 10.8 percent; (3) local non-taxes, 8.8 percent and 21.2 percent; (4) state-shared taxes, 0.5 percent and 12.4 percent; and (5) state and federal aids, 13.7 percent and 0.9 percent. In 1951 state and federal aids, primarily the latter, amounted to 22.1 percent of Manhattan's total revenues.

Causes of the fluctuations from the long-range trend aggregate revenues per capita (in "real" dollars) as well as the trends of the main categories of revenue sources seemed largely due to nationwide phenomena -- business cycles, the effects of World War II, and the Korean War. To a less extent local changes and occurrences were determinants, e.g., the floods of 1951, the hailstorm of 1950, and changes in number and composition of Manhattan's "economic population".

In general, the similarity between the Manhattan and the national large city and the average of ten first-class Kansas cities was remarkable, i.e., the starting point hypothesis seemed essentially valid. (1) Her property taxes, relative to the total revenue, yielded slightly less than the national large city aver-

age. The ten Kansas municipalities relied on this source somewhat more than did Manhattan. (2) Manhattan's percentage from "other local taxes" was about the same as the ten Kansas cities and a little higher than that from the large American cities. (3) She received considerably more from local non-taxes than did either of the two "comparison groups". (4) The national statistics on state-shared revenue apparently overlapped with that from state aids. However the percentages from this source for the ten Kansas cities were quite similar, on the average for the 1941-1950 period, to those of Manhattan. (5) The data of the ten Kansas cities did not include federal and state aid as a separate item, apparently including it as "miscellaneous" revenue. This is in substantial accord with the trend of Manhattan data for this period, i.e., she received only negligible amounts from this source. Other states were more liberal with grants-in-aid to their local units.

As an appendix to the Manhattan revenue history, her aggregate debts for the period 1933-1951 were indicated. From this data and the previously derived aggregate revenue data for the same period a further derivation developed a new series, "aggregate expenditures \pm aggregate changes in current assets". According to these criteria the City operated "in the black" during 1935-1946, and 1951 and "in the red" in 1933-1934, 1941, and 1947-1950.

It was concluded that Manhattan's revenue system, like the typical Kansas and American city, was largely "justified" by the

benefit-principle rather than the ability-to-pay doctrine. However, since the study had not definitely established (a) the degree of shifting of the tax burden (of either Manhattan or American cities in general) or (b) the degree of regressiveness of the aggregate burden, this writer's judgment on their ultimate justice or injustice was not given.