
Municipal borrowing for industrial development

Since 1936, nearly 300 cities, counties and other local governments in nine states (mostly in the South) have borrowed almost 200 million dollars to provide plant facilities for use by private firms. More than half of this financing has occurred in the last four years, a period in which many communities have been plagued by persistent and substantial unemployment.

Climbing but still small

Although municipal borrowing for industrial purposes has increased sharply, it is still small in relation to the total amount of state and local bonds issued. In 1960, for example, the 41 million dollars in financing for industrial purposes was less than 1 per cent of the 7.2 billion total borrowed by

state and local governments for all purposes.

Until now, relatively few of the 20,000 municipalities and counties in the nation have done any industrial financing at all, and most of these have been relatively small communities located in the southern states. In some instances borrowing of this kind has overshadowed financing for other purposes such as the provision of schools, roads and sewerage and water plants. A conspicuous example is that of an Alabama town of only 1,500 population which early in 1961 borrowed 25 million dollars to build a fertilizer plant for lease to a major meat packing firm.

Objective of the financing

As the interest paid on municipal securities is exempt from Federal income taxes, local

