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Philadelphia City and School District
Budgets: A Year of Austerity

FEDERAL RESERVE BANK of PHILADELPHIA

business review



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The Cost of Buying: It Takes More Dollars But Less Work

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Philadelphia City and School District Budgets: A Year of Austerity

. . . The squeeze of rising costs and slowly growing revenues, along with the current recession, has complicated the budgetary problems of the City and School District: In fiscal '74 real expenditures for the City declined while School expenditures posted a slight increase in real terms.

On our cover: Eleutherian Mills, the home built by E.I. du Pont in 1803 overlooking his powder mills on the Brandywine River, is part of the Hagley Museum at Greenville, Wilmington, Delaware. The stuccoed stone residence was occupied by the du Ponts for five generations, and its furnishings reflect their varied tastes. (Photograph courtesy of The Hagley Museum.)

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Is There a Future for Economic Man?*

*By David P. Eastburn, President
Federal Reserve Bank
of Philadelphia*

Economic Man has had things pretty much his way for most of this century. But, what are his prospects for the rest of the century?

First, let's examine Economic Man for a moment. His claim to fame in economic discussion is secure. Economists long ago described him well. He is, above all, a calculating individual. He approaches problems rationally, balancing advantages and disadvantages of alternative courses of action. In the time-honored tradition of Adam Smith's "invisible hand," he considers these advantages and disadvantages in terms of his self-interest. By serving his own interests he is also serving society's interests. In the business world, Economic Man's self-interest drives him to use the resources at his disposal to generate

the highest possible profit or income. In doing so, he is governed by the market system which harnesses the pursuit of self-interest into social good. The market registers the desires of consumers, passing them along to producers who, disciplined by the marketplace, allocate resources in the most efficient way to meet those desires. The market distributes incomes in accordance with each person's contribution to the total product. Although this may not be equality, Economic Man believes it is not only fair but necessary for progress. This is a broad-brush portrait of Economic Man as you might come upon him in a textbook.

More recently, however, Economic Man has come to convey another kind of image. This is the image of a person to whom consumption is the most important goal of life. He is typified by the affluent American with two cars, a power boat, two homes, three or four color TVs, all the

*An address given before a Conference on Futurism held at Eastern College, St. Davids, Pennsylvania, February 5, 1975.

kitchen appliances, an electric toothbrush, and all the other “necessities” of life. His desire for more gadgets is insatiable. Therefore, his major goal for the economic system is growth. Only by a constantly and rapidly rising GNP is he able to satisfy his craving for greater material comfort. This growth is made possible by a frenetic pace of discovery and invention turned out by modern technology. If this growth uses up natural resources at a dangerous rate, this is a problem others will have to deal with in the future. If it fouls the air and water, clogs the highways, and spoils places of scenic beauty, this is a price of progress. Here is an image of Economic Man that is becoming increasingly prevalent. Although I think it is more a caricature than a portrait, it is one we must deal with in assessing Economic Man’s future.

Much of what I read and hear about his future is pessimistic. Robert Heilbroner, for example, has recently explored the human prospect and arrives at a most dismal conclusion.

Rationalize as we will, stretch the figures as favorably as honesty will permit, we cannot reconcile the requirements for a lengthy continuation of the present rate of industrialization of the globe with the capacity of existing resources or the fragile biosphere to permit or to tolerate the effects of that industrialization. Nor is it easy to foresee a willing acquiescence of humankind, individually or through its existing social organizations, in the alterations of lifeways that foresight would dictate. If then, by the question “Is there hope for man?” we ask whether it is possible to meet the challenges of the future without the payment of a fearful price, the answer must be: No, there is no such hope.¹

If this kind of thinking is accurate, it suggests that the next quarter century would be very different from the past quarter century. Perhaps most striking, it would be a sharp shift from what has generally been a prevailing optimism of Ameri-

can attitude. In view of all the gloom, it seems to me that somebody should look at the other side, and examine the possibility that our society will be better able to meet the challenges ahead than many currently are forecasting.

In essence, my point is that Economic Man is most adaptable. He is not the same person now as 50 or 75 years ago. The rough edges of his philosophy and practice have been smoothed by social action—especially in the 1930s. He will not be the same person in 25 years as now. But he will still have an important role to play in our society.

How accurate this prediction turns out to be will depend heavily on how Economic Man meets three major challenges: the exhaustion of resources, the deterioration of environment, and the clamor for equality.

RESOURCES

One point of view is that Economic Man is doomed because we are certain to run out of vital natural resources. It will not be possible to continue the economic growth we have enjoyed in the past quarter century. It will not be possible to consume on the same lavish scale.

A fascinating aspect of this forecast is how rapidly it has come about. In 1958 John Kenneth Galbraith wrote *The Affluent Society*. This was hailed at the time not only as an accurate evaluation of the current state of affairs, but a perceptive appraisal of the problems ahead. Whatever they were, they were not problems of production; we had solved the production problem and now had to deal with the problems of affluence. Galbraith’s analysis had a profound effect on thought at that time. It was only a few years later that *The Limits to Growth* appeared. This book, which purported to show by scientific econometric techniques that the economy could not continue growing at its recent pace, came as a shock to many who had just come to believe that Economic Man was firmly in the saddle. Some disagreed with the analysis, but it was hard to dispel the idea that, after all, we do live on a finite planet and at sometime resources will be gone. And we all have had first-hand confronta-

¹Robert L. Heilbroner, *An Inquiry into the Human Prospect* (New York: W. W. Norton and Company, 1974), pp. 135–36.

tion with the problems at the gas station. Still more recently I ran across a paperback called *The End of Affluence* which, among other things, instructs Americans in how to adjust their lifestyles to new realities of slower economic growth. So, within the space of relatively few years the prospects of Economic Man, in the minds of many people, have suffered a complete about-face because of new concern about resources. What are we to make of this?

Obviously, resources are finite. Economic growth uses them up—quickly if growth is rapid, less quickly if growth is slower. The difficult question is whether Economic Man is capable of dealing with the problem before it becomes catastrophic. I believe he is, by relying on two of his trusted tools—the market system and technology. The market system, if it is permitted to work, can slow down use of increasingly scarce resources and encourage development of new resources. This is the best approach to the energy problem we face right now, for example. If the price of gasoline is permitted to rise, this will cut down demand and at the same time encourage exploration of new sources of energy. A higher price for fuels will encourage technology to develop new techniques of recovery, better methods of producing nuclear energy, and even feasible processes for harnessing energy from the sun.

It is true that the market system does not work perfectly in protecting resources. For one thing, it sometimes takes the short view, overly emphasizing the present to the detriment of the future. Economic Man does look ahead, but the market does not always cause him to be sufficiently concerned with problems he may create for future generations. The market will need help, therefore, from Government. If certain resources are being used too fast and others not being developed, Government can assist by removing controls and other impediments to resource conservation as well as by legislating taxes and subsidies that nudge Economic Man in the desired direction. For example, a tax on imported oil, or on gas at the pump, or on large cars can help to conserve gasoline and stimulate development of other energy sources. The trick is

for Government to work as much as possible through the market system and to capitalize on Economic Man's desires for profits and his talents in allocating resources.

ENVIRONMENT

Economic Man has neglected the environment, and his prospects are not good if he continues to do so. Economists as far back as Adam Smith recognized that the production of goods often involved costs that the producer didn't have to bear but others did. When a paper producer dumps waste into a stream and this pollutes the water supply of neighboring communities, for example, the practice entails a cost for the people in those communities, but the cost doesn't enter into the price of the paper. (In fact, the effort of cleaning up the water is actually counted as an increase in GNP rather than a subtraction from it!) These external costs of production, or externalities as economists have come to call them, while long recognized in concept, have only recently been given the attention in economics which they deserve. And it is only in the past decade or so that the environment has deteriorated so drastically that the general populace has become restive about the problem. What can Economic Man do?

The challenge is immense. It will take decades to undo past damage. But here again, the market and technology can help. The market can't do it alone, however. The fact that externalities are not included in the price of products is a defect of the price system that must be corrected. The idea is to have as much of these external costs as possible borne by those who produce them rather than by others. Economists have explored many ways of doing this, but taxation is probably the most important. The paper producer can be taxed so that he, not the community downstream, bears the cost of pollution. The result would be cleaner water.

This, of course, is easier said than done. Many external costs are hard to measure. There is political resistance to allocating costs to their sources. But the problem has been recognized and Government is increasingly aware of the role it must

play. Again, the trick will be to take advantage of the market system and to harness Economic Man's sharpness in calculating profit opportunities. Technology can help by devising improved methods of production without pollution.

EQUALITY

Economic Man's prospects will not be good unless there is progress in dealing with the human inequalities which now exist. Here again, the outlook need not be one of unrelieved gloom. I think it is undoubtedly a fact that disadvantaged people throughout the world will be clamoring for a better shake. But it is also a fact that our economic system has done a great deal to upgrade living standards of lower-income groups, and I believe it can do a great deal more. As often pointed out, Marx was wrong in his prediction. The market-oriented countries of Europe and North America have not turned into places with a few very rich and masses of very poor. We have not had a revolution of the proletariat. The reason is that our economic system has generated a large and stable middle class. But what of the future? Two questions are vital—population growth and economic growth.

The predictions of an economist of a century and a half ago—Thomas Malthus—are now enjoying a new vogue. Malthus predicted that there was a natural tendency for population to outrun the means of subsistence. Unless population were held in check by birth control, it would be held in check by starvation. Certainly, as we look around the world, there is ample reason for pessimism. In the less-developed world of Africa, Asia, and Latin America, birth rates are enormous and population growth soars. At the same time, sources of food supply are becoming hard-pressed and unreliable. People are starving. Economic Man is limited in what he can do about this food gap. Food supplies can be enlarged through improvements in technology, changes in Government policies which limit farm output, as well as changes in social and religious customs which restrict diets. But of critical importance also is that people limit their

own reproduction. As we see what has happened in developed countries in recent years, however, there is cause for hope. In many areas, births are rapidly moving toward a rate which is materially slowing population growth. With education and governmental pressure—and, I predict, eventually a changed policy of the Catholic Church—the same can happen in developing countries.

A second factor determining the future of disadvantaged people will be the rate of economic growth, and this is something Economic Man can do a lot about. A main reason for past improvement in living standards all around has been Economic Man's talent in producing more efficiently. He has enlarged the total size of the output pie so successfully that everyone can have more even with the same relative slices. Despite implications for our resources in the longer run, I believe it is essential to continue to press for rapid economic growth. As I explore the arguments for moving toward a stable state economy, I conclude (in addition to the feeling that life might be pretty dull) that their major defect is a lack of realism about implications for disadvantaged people. It simply does not seem in the cards to be able to redistribute the existing product in a way that would significantly help the disadvantaged. The haves would not stand for it, the have-nots would not benefit all that much. Growth strikes me as a much more realistic solution.

I recognize that there are two sides to the problem—the size of the pie and the size of the slice—absolute well-being and relative well-being. Growth, if the past is any guide, can go a long way in solving the absolute problem, but probably won't do much toward solving the relative problem. And, if so, the clamor for equality will continue. I suspect this will always be the case. It is too deeply ingrained in human nature to be otherwise.

ECONOMIC MAN IN 2000 A.D.

So it seems to me that the outlook for Economic Man is not as bleak as it is being painted these days. Nevertheless, just as his lot is

not the same now as 25 years ago, it will not be the same 25 years hence. What will it be like in 2000 A.D.? As I see it, his world will be different in at least three respects: the degree of freedom which he can exercise, relationships with others, and the degree of conservatism that exists.

Freedom. I suspect there will be a trend toward less freedom in the next quarter century—at least freedom as Economic Man has known it. Much of the history of this century has been a decline of laissez-faire philosophy and practice. A continuation of the trend seems inevitable. Government has played an increasing role in the economy and will continue to do so.

Although Economic Man may not realize it, this can work to his benefit. As I have tried to show, he needs the help of Government in protecting resources, improving the environment, and bettering the lot of the disadvantaged; and unless there is substantial progress toward these goals, Economic Man does not face a happy future. However, much will depend on how Government goes about intervening in economic affairs. In the past, Government efforts in these directions have often hampered the functioning of the market system rather than improving it. Hopefully, Government will not clog it with self-defeating regulations and will see the advantage of working *with* Economic Man by utilizing the market system which is so important to them both.


All things considered, however, Economic Man will become more and more a partner of Government rather than a free agent. He will not occupy the dominating role he has grown accustomed to over most of this century.

Relationships. As the economy grows increasingly complex there will be a need for greater interdependence of the units within it. Unfortunately, there may be strong pressures for parts of it to go it alone. I don't have in mind the kind of self-sufficiency prescribed in *The End of Affluence* which I mentioned earlier. It seems unlikely that the idea of storing up food for emergencies

or planting organic gardens in backyards is likely to catch on with most people. But on a larger scale it does seem likely that the desire to go it alone or to form closely knit groups will have a major impact in the world economy. Witness our own Project Independence. Witness banding together of countries to form cartels to control natural resources as the OPEC nations have done. Given this tendency, plus the clamor for equality from disadvantaged people the world over, Economic Man seems likely to be living in a world of considerable conflict. Since he thrives best in a climate of trust, specialization, and interdependence, he may find life difficult.

Conservatism. I am not thinking here in usual terms of liberal versus conservative, but in the more general sense that society is likely to become increasingly concerned with conserving what it has. It will necessarily become more conservative in the use of resources. And although I believe the economy must continue to grow to solve the problems of the disadvantaged, the idea of the stable state will gain increasing acceptance. This suggests that the dynamic economy which Economic Man is used to will become less dynamic, less growth-oriented. It is probably also true that there will be some change in life-styles. A return to the simple rural life is impossible, but there will probably be less of a drive to achieve satisfaction through consumption, less of a drive to lose oneself in work, and more interest in making productive use of leisure, more satisfaction from family and friends. It could be a less exciting but perhaps a more rewarding world.

CONCLUSION

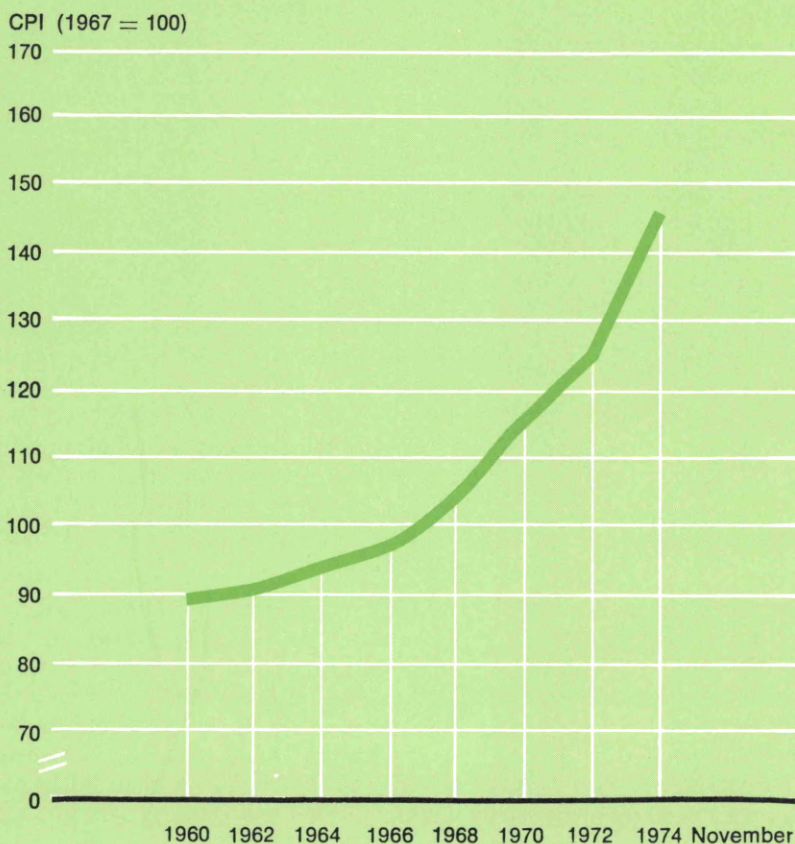
In short, I believe the gloomy prognosis for Economic Man has been overdone. He is too adaptable not to be able to go a long way in meeting the challenges before him. But by 2000 A.D. he *is* likely to be living and working in a world that has values differing from those he has traditionally held. He is likely to need all the adaptability he can muster. 

The Cost of Buying: It Takes More Dollars But Less Work

By John Bell

CHART 1

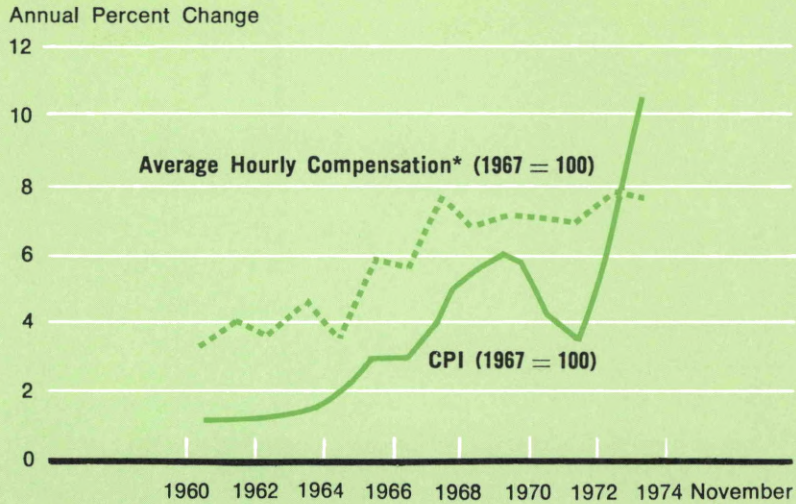
PRICES HAVE BEEN RISING CONTINUOUSLY SINCE 1960.



SOURCE: U. S. Department of Labor, Bureau of Labor Statistics.

CHART 2

BUT UNTIL LAST YEAR WAGE INCREASES HAVE OUTPACED PRICE INCREASES . . .

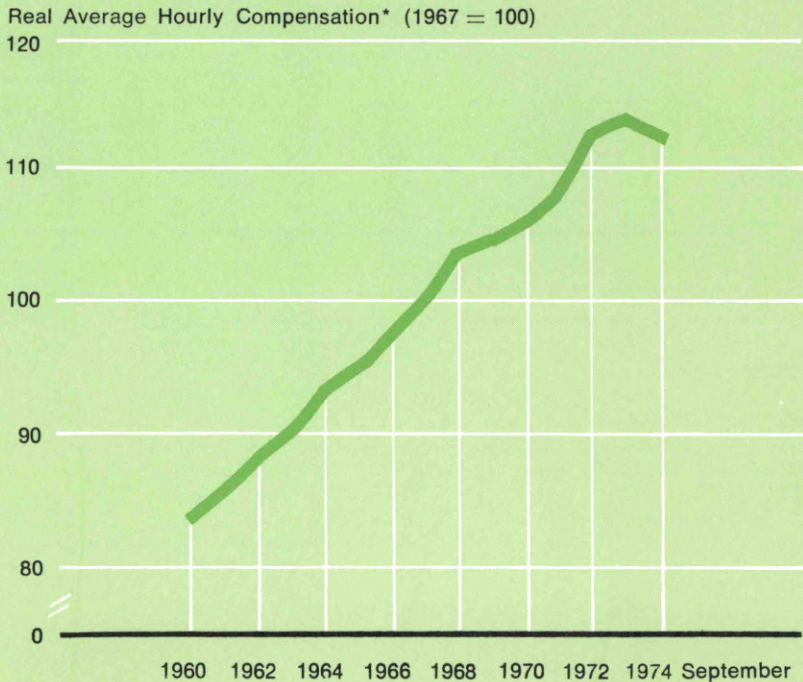


*All Employees, Private, Nonfarm Economy.

SOURCE: U. S. Department of Labor, Bureau of Labor Statistics.

CHART 3

. . . SO REAL COMPENSATION INCREASED STEADILY UNTIL 1974.

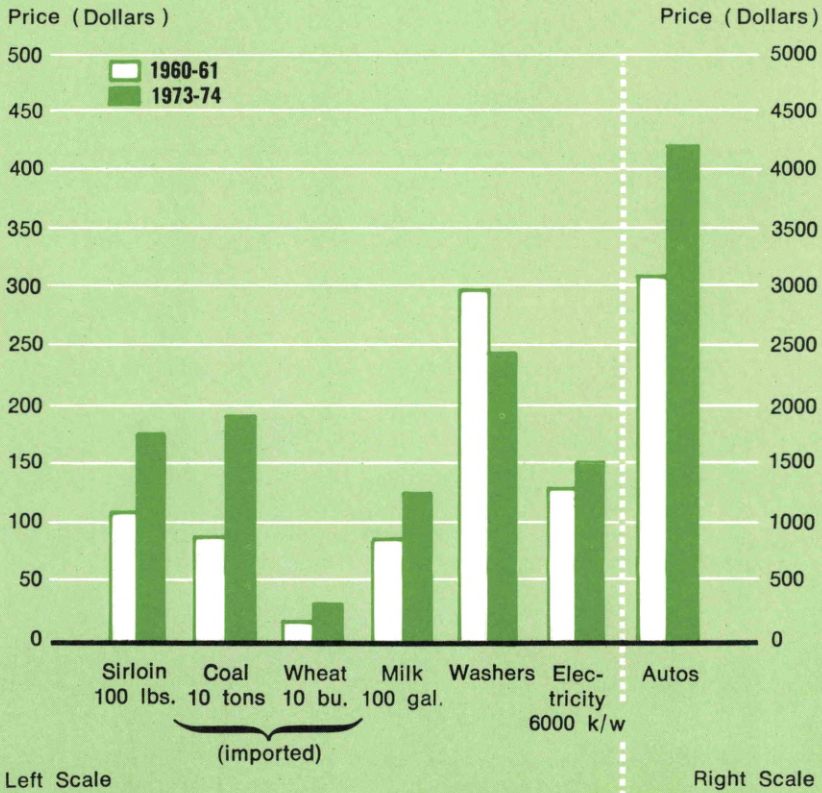


*All Employees, Private, Nonfarm Economy.

SOURCE: U. S. Department of Labor, Bureau of Labor Statistics.

CHART 4

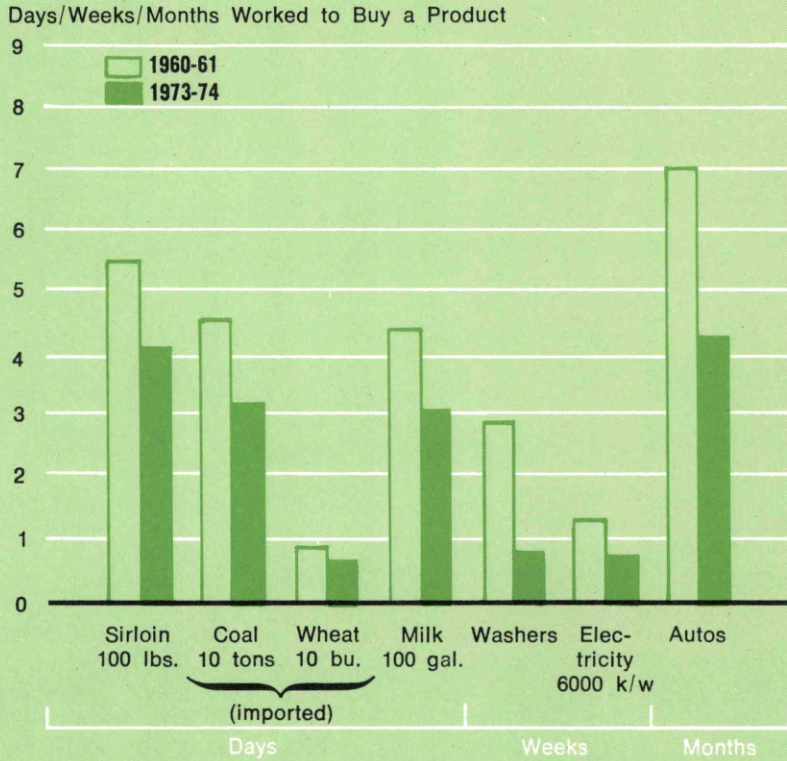
THE RESULT: WHILE MOST COMMODITIES COST MORE THAN THEY DID IN 1960 . . .



SOURCES: Consumer Reports, Automotive News Almanac, Statistical Abstract of the U. S.

CHART 5

... WE DON'T HAVE TO WORK AS LONG TO BUY THEM TODAY.



SOURCES: Consumer Reports, Automotive News Almanac, Statistical Abstract of the U. S.

Philadelphia City and School District Budgets: A Year of Austerity

By William A. Cozzens

In the Philadelphia area, as in the nation, rapidly rising prices and spreading unemployment have been disrupting the economy. These disruptions can spell "hard times" not only for individuals and firms, but also for the City and School District of Philadelphia. Already, the fiscal 1974 (fiscal years run from July 1 to June 30) budgets of the City and the School District show strains from the worsening economic situation. For the City in 1974, costs rose faster than revenues, leading to a small budget deficit and to declines in real expenditures in several departments—most clearly in Streets, Recreation, and Health—and stable or slightly climbing expenditures in others. The School District fared a little better, showing a slight surplus. When its 1974 budget is compared to the 1973 pre-strike budget estimates, per capita real expendi-

tures grew slowly. In per capita real terms, elementary education, for example, grew 5 percent, while secondary education fell 3.8 percent.

Both the City and the School District were caught in the tightening squeeze of rising costs and limited and inflexible revenue sources. The softening economy, already at work in the last two quarters of fiscal 1974, heightened the squeeze by slowing the growth in revenue from the wage tax, the most flexible source which depends on the level of economic activity in the City. In short, fiscal 1974 was a year of austerity for the City and School District.

BUDGETARY CHANGES THROUGH FISCAL '74

From fiscal 1973 to fiscal 1974, revenues and

TABLE 1
CITY AND SCHOOL DISTRICT REVENUES AND EXPENDITURES

City Summary*	Fiscal 1973 (\$ Millions)		Fiscal 1974 (\$ Millions)
Revenue	\$730.0		\$725.4
Expenditures (Current Dollars)	<u>-729.3</u>		<u>-733.8</u>
Surplus (Deficit)	\$ 0.7		\$ (8.4)
		Pre-Strike	
	Actual	Estimate	
School District Summary**			
Revenue	\$377.7	\$380.3	\$392.5
Expenditures	-340.1	-380.6	-393.0
Cancellation of Prior Year's Deficit	<u>- 36.2</u>	<u>-36.2</u>	<u>1.2</u>
Surplus (Deficit)	\$ 1.5	(\$ 36.5)	\$.7

*The City revenue and expenditure totals do not correspond to the balance sheet totals in the *Financial Report* because certain budget items, primarily Model Cities and the Economic Opportunity Program, were excluded to ensure comparability across years. Also the totals listed here include revenue and expenditures from Other Operating Funds as well as the General Fund. These various funds are reported separately in the *Financial Report*. For the General Fund the *Financial Report* shows 1974 revenue of \$676.0 million and expenditures of \$677.4 as compared to 1973 revenue of \$683.5 million and expenditures of \$677.8 million. See Appendices 1 and 3 for backup data on the City budgets.

**Even without the school strike the pre-strike budget could not have been realized. The District would have had to close early to eliminate the deficit or find additional revenue sources. See Appendices 2 and 4 for backup on the School District budgets.

expenditures in current dollars for the City remained virtually constant. Expenditures inched upward; revenues dropped very slightly, producing a small net deficit. On the School District side of the ledger, both revenues and expenditures grew more substantially. (Table 1 summarizes the School District and City revenues and expenditures for 1973 and 1974.) This growth in the School District budgets can, however, be deceptive. In 1973, the District saved money from the long teachers strike. But the excess revenues of that year were absorbed by the large 1972 deficit. Much of the growth in the budget from 1973 to 1974 was a recovery to the level of expenditures in previous years. Thus, when

the School District's comparative budget position is adjusted for the strike, it becomes apparent that for both the City and the School District, the 1974 budgets represent no more than hold-the-line expenditure levels (Appendix 4 shows School District expenditures both with the strike and the estimated expenditures prior to the strike). This contrasts sharply with the pattern of large increases in expenditures for the City and School District between fiscal 1970 and 1973.¹

¹William A. Cozzens, "Philadelphia's Budgets: Past, Present, and Future," *Business Review* of the Federal Reserve Bank of Philadelphia, April 1974, pp. 3-19.

Just looking at these current dollar aggregates (dollars unadjusted for the effects of inflation on their purchasing power) tells us very little. On the revenue side, the important question is, what happened to the different sources of funds during the year? On the expenditure side, the important questions are, what impact did rising costs have on expenditures and how did City and School District administrators distribute the available funds?

Revenues: No New Sources of Funds. Compared to 1970 through 1973, which showed rapid growth in the City's revenues, fiscal 1974 proved to be sluggish. Local revenues climbed 5 percent, but this growth was more than offset by a 16-percent decline in revenue from Harrisburg and Washington. The City showed a six-tenths of 1-percent decline in net revenues (Appendix 1 shows these revenue totals). More instructive than these totals, however, was the behavior of some individual revenue sources (see Chart 1 and Appendix 1).

As in previous years, the wage tax kept pace with inflation, showing a growth of over 11 percent. The current recession could, however, lead to an erosion of revenue from this source since wage tax revenue is responsive to changes in the area economy (see Box 1). Local nontax revenues also jumped substantially, reflecting increased earnings from the Port, Civic Center, and Airport. In addition, higher charges for certain services (for example, billing for some public health services) and increased collections from fines and licenses bolstered local revenue. These improvements in the revenue picture were partially offset by a drop in real estate tax collections because of a transfer of four mills of taxing power from the City to the School District.

The City registered across-the-board declines in intergovernmental aid. One item, Federal Revenue Sharing, dropped \$17 million. The City, however, had anticipated this loss. In 1973, Philadelphia received a larger-than-normal allocation, including a delayed payment for several months of the previous fiscal year. But even without this loss the picture was pretty gloomy. Assistance from the Commonwealth as well as

other Federal aid also showed declines. Fiscal '74, then, temporarily halted the trend which had prevailed between 1970 and 1973 toward larger packages on intergovernmental aid.

As with the City, School District revenues in 1974 stabilized near their 1973 levels. Both local revenue and intergovernmental aid climbed slightly, generating a net revenue increase of just under 4 percent (see Chart 2 and Appendix 2 for the details). Again the only major revenue change came with the transfer of property tax revenue from City to School District.

The transfer of some property tax assessments from the City to the School District obscures the behavior of this tax as a revenue source. When the *total* City and School District property tax revenue in 1973 is compared to the total in 1974, the growth rate is only 2.9 percent. This relatively slow growth for the property tax reflects its dependence on the periodic reassessment of real property for any increases.

In summary, on the revenue side then, gains in intergovernmental aid, for the moment at least, have slowed. The real property tax is at best providing only small increments to revenue, while the recession may have hampered the revenue-generating capacity of the wage tax.

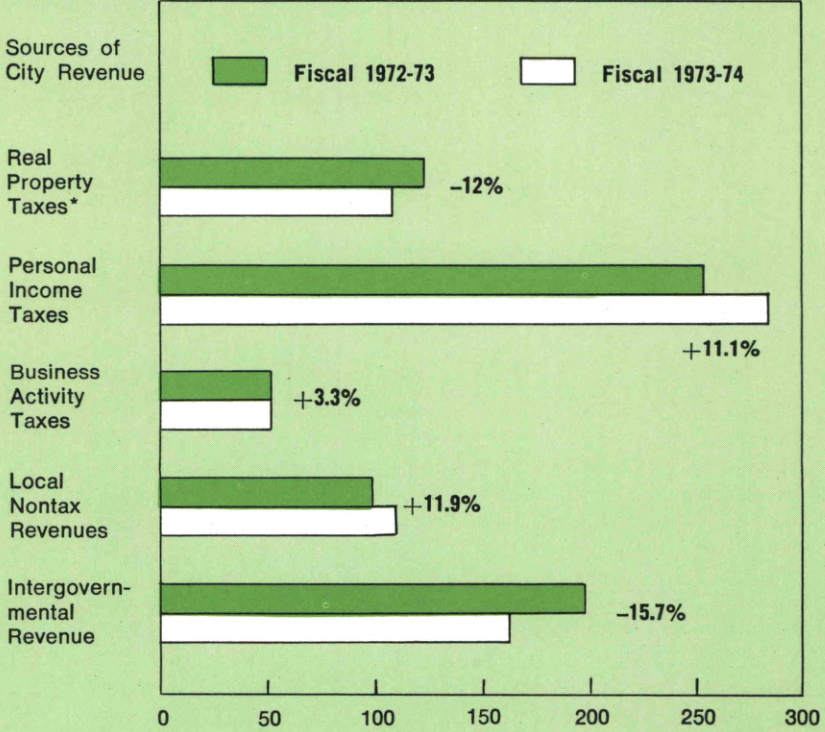
Expenditures: Some Real Cuts. The revenue side of the budget is only half the story. What the City and School District were able to provide in the way of services is the other half. In current dollars—that is, without correcting for any inflationary impact—City expenditures climbed about half of 1 percent. School District expenditures grew more—\$53 million, 15 percent above actual expenditures in 1973; \$12 million, 3 percent above the estimates of expenditures for 1973 prior to the strike.

But identifying changes in municipal and school service levels from one year to the next requires examining the expenditure side of the ledger in *constant* dollars. As everybody knows, personally as well as statistically, inflation has been a big factor over the last 18 months, reducing the purchasing power of all our dollars. The City and the School District are no exceptions. They must purchase labor and materials to pro-

CHART 1

FOR THE CITY OVERALL REVENUE REMAINED STABLE AS GAINS FROM SOME SOURCES BALANCED LOSSES IN OTHERS.

Millions of Dollars



SOURCE: Appendix 1.

*The decline in real property taxes is directly attributable to a transfer of 4 mills assessment from the City to the School District.

BOX 1

THE RECESSION MAY CUT WAGE TAX GROWTH

With a recession looming large in the present picture, it is worth a moment's pause to consider the potential effect of the recession on local tax revenues. The City's wage and salary tax will feel the brunt of the recession. As production falls and economic activity declines, there will be higher unemployment, fewer people working, and cuts in overtime. Because revenue from the wage tax is tied directly to the total payments in salary and wages, all of these declines would lead to drops in revenue.

Pay increases among other workers would tend, of course, to counteract these declines. From 1970 through 1973 employment in the City dropped by 8 percent (see Table). Yet wage tax revenue continued to climb. Even in the present recession that pattern could continue. As employees in the more stable, recession-resistant sectors of the economy receive cost-of-living pay boosts, their increased wage tax payments may more than balance out the losses of workers who have been laid off or who have lost overtime. In this case, the effects of the recession would show up as a slower rate of growth in wage tax revenue rather than in an absolute decline.

EMPLOYMENT TRENDS IN PHILADELPHIA COUNTY

	000s	Percent Change
1969	938.0	
1970	919.3	-2.0%
1971	881.7	-4.1
1972	881.0	0
1973	863.0	-2.0
1974	844.9	-2.1

SOURCE: U. S. Bureau of Labor Statistics, *Employment and Earnings*, Employees on Nonagricultural Payrolls.

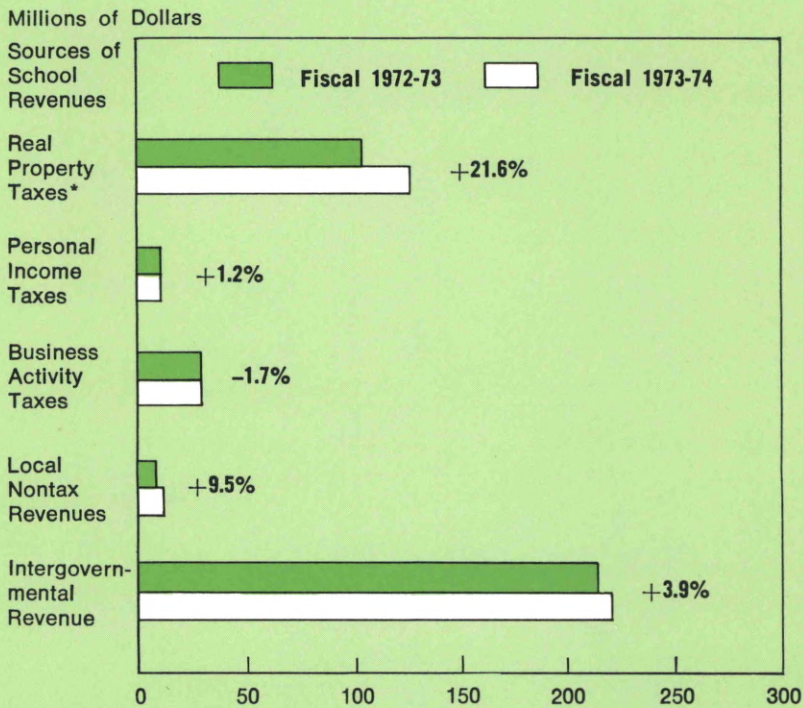
duce the services citizens demand. If these costs grow faster than revenue, then there are just two choices: cut the level of services or squeeze more services out of each dollar.

How have rising costs affected the City and School District budgets? For the City, the best estimate suggests that costs rose approximately 6.5 percent between fiscal 1973 and fiscal 1974. For the School District, the increases averaged 5.9 percent. (Box 2 details how these estimates were derived.) These cost increases have gener-

ally been lower than the run-up of costs and prices in the economy as a whole. In both the City and School District budgets, wages and salaries consume a lion's share of total expenditures—in some departments, as much as 93 percent. Between 1973 and 1974 the City and School District experienced wage and salary hikes between 3.5 and 5 percent. But, in the School District at least, a cut in teacher classroom hours has necessitated hiring additional staff, pushing costs up more than this 3.5-

CHART 2

WHILE FOR THE SCHOOL DISTRICT, PROPERTY TAXES SHOWED THE ONLY SUBSTANTIAL GAINS.



SOURCE: Appendix 2.

*Real property taxes gained substantially because of a transfer of 4 mills assessment from the City to the School District.

BOX 2

THE CITY AND SCHOOL DISTRICT FACED HIGHER COSTS FOR LABOR AND SUPPLIES

The real or constant dollar budget is less than the current dollar budget by the amount absorbed in increasing costs. Between fiscal 1973 and fiscal 1974, these cost increases grew more slowly for the City and School District of Philadelphia than in the economy as a whole. The following Tables show the different major expenditure categories in the City and School District budgets, the rate of increase in costs for each category, the source of the estimate of the cost increase, and the weight each category occupies in the total budget. In Appendices 3 and 4 deflators are shown for individual departments and expenditure items. For more information on the construction of these cost estimates, consult William A. Cozzens, "Philadelphia's Budgets: Past, Present, Future," *Business Review* of the Federal Reserve Bank of Philadelphia, April 1974, Appendix 3, p. 15.

CITY COST INCREASES

Category	Source	Percent Change Fiscal 1973 to 1974	Weight
Wages			
Policemen and Firemen	{ Actual Wage Settlements	5.0%	53.0%
Nonuniformed Employees		4.3	
Purchase of Services	{ Estimated from Deflators for Government Purchases of Services, Nondurables, and Durables	5.6	17.6
Materials and Supplies		19.7	3.2
Equipment		5.1	0.6
Debt Service and Employee Benefits	{ Philadelphia Consumer Price Index	9.7	25.0
Social Security Payments		9.7	0.6
TOTAL		<u>6.5%</u>	<u>100.0%</u>

SCHOOL DISTRICT COST INCREASES

Wages	{ Actual Wage Settlements	3.5%	69.3%
Purchase of Services	{ Estimated from Deflators for Government Purchases of Services and Nondurables.	5.6	2.9
Materials and Supplies		19.7	5.8
Debt Service and Employee Benefits	{ Philadelphia Consumer Price Index	9.7	22.0
TOTAL		<u>5.9%</u>	<u>100.0%</u>

percent figure suggests. Other costs rose more rapidly, but proportionately these represent a much smaller share of City and School District expenses.

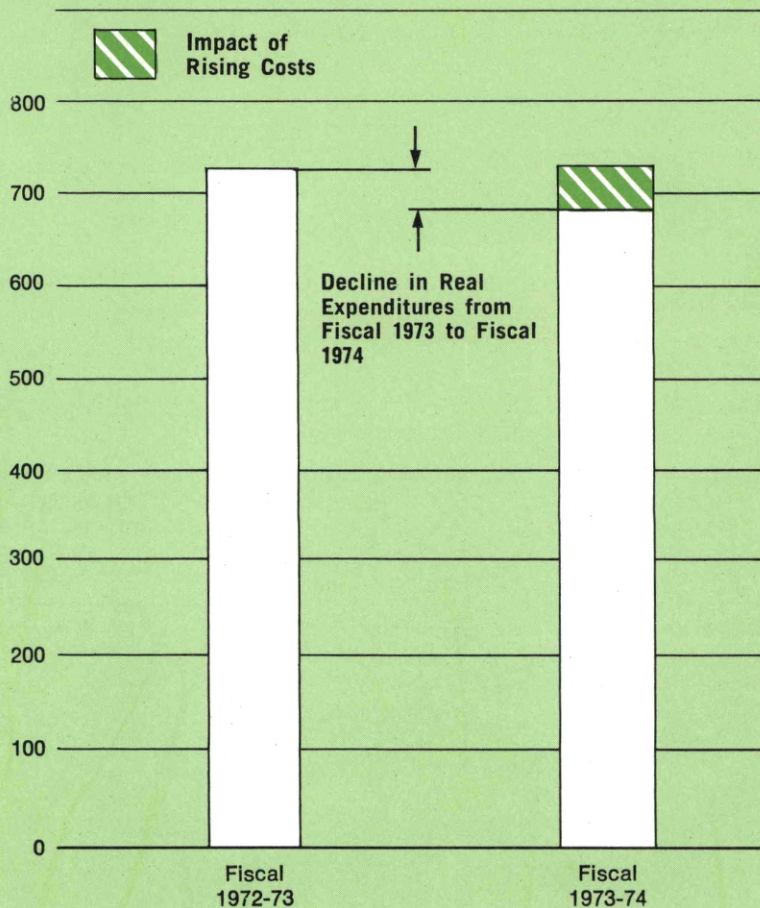
When 1974 City expenditures are reduced by the percentage increase in costs, the 1974 budget shrinks to \$689 million in terms of 1973

dollars, a 5.4-percent drop in real expenditures. The decline for departments involved in the delivery of services was 2.9 percent (see Chart 3). How was this budget cut distributed across departments and City activities? Every major expenditure category except the courts and "other" administrative activities registered de-

CHART 3

INFLATION LED TO A REAL BUDGETARY DECLINE FOR THE CITY.

Millions of Dollars



SOURCE: Appendix 3.

clines in real expenditures. Among the expenditure categories involved in the provision of services (that is, excluding Debt Service and Pensions and Employee Benefits), the declines ranged from a low of 1.8 percent for the Fire Department to a high of 9.9 percent for Streets and Sanitation. The remainder fell somewhere in between. (Table 2 and Appendix 3 show these budget changes in greater detail.)

With these declines in real expenditures in many departments of the City, the really important question for the quality of life in Philadelphia is what happened to the output of services. The output of any organization, whether private

or governmental, is a function of not only the inputs purchased—the real expenditures—but also the output per unit of input—the productivity of those real expenditures.

Measuring and achieving productivity gains are not easy tasks, even in the private sector. But in government agencies, without the incentives provided by the marketplace, it can be even harder. Moreover, except for some activities where there is an easy measure of output (tons of rubbish collected as a measure of output for sanitation, for example), it is hard to identify, define, and measure the product or output of a government agency. In Philadelphia there is little

TABLE 2
MOST CITY EXPENDITURE CATEGORIES
SHOWED REAL DECLINES

City Department	Percent Change 1973 to 1974
Pensions and Employee Benefits	- 21.8%
Streets Department	- 9.9
Recreation	- 8.8
Health Department, Philadelphia General Hospital	- 6.5
Debt Service	- 5.0
Welfare	- 3.7
Police	- 2.4
Fire	- 1.8
Other	2.7
Courts	3.5
Total Real Expenditure Change	- 5.4%
Total Real Expenditure Change (excluding Pensions and Employee Benefits and Debt Service)	- 2.9%

SOURCE: Appendix 3.

information available on the relationship between inputs and outputs, so it is hard to make precise statements about what has happened to productivity. Of course, everybody has a subjective impression of what is happening. To some people the streets may seem cleaner than last year, but then to others the streets may also seem to have more potholes. But it is hard to generalize from these individual impressions about what may be happening on a city-wide basis to the many activities that City agencies perform. Unfortunately, therefore, there is not much evidence on which to base a firm estimate of the City's possible increases in productivity.

Some rough approximations, however, can be made. The one comprehensive study of productivity in government agencies focused on the Federal Government. It found productivity increases on the order of 1.7 to 1.8 percent annually.² Service industries in the private sector have managed annual increases in productivity of about 2.5 percent.³ With average real expenditures dropping 2.9 percent in the City departments involved in the delivery of services, an average productivity increase of, say, 2 percent would leave average service levels dropping just under 1 percent. In some departments (Streets, Recreation, and Health, for example) the large declines in real expenditures, therefore, make it difficult to see how service levels could have been maintained. In other departments (Courts, Fire, and Police, for example) basically stable real expenditures may have led to slight gains in the level of services provided. Overall, then, the City appears to have weathered a difficult economic period in fairly good shape, although some citizens might disagree with the distribution of these real budget cuts.

For the School District, with costs up 5.9 percent, real expenditures in 1974 were \$371 million. If this is compared with the actual 1973

budget (with an 11-week strike depressing expenditures), then real expenditures increased 9 percent. Compared to the estimates of 1973 expenditures made before the strike, 1974 expenditures dropped 2.5 percent (see Chart 4). Because school attendance dropped (from 279,400 to 272,900) between 1973 and 1974, real expenditures *per pupil* provide a better indication of service levels. With declining attendance (concentrated in the elementary schools), average real expenditures per pupil increased slightly. Elementary education and special education climbed, junior high and senior high/technical schools declined moderately, while early childhood education remained stable in per capita terms. (See Appendix 4, Table B.) Thus, the School District overall was able to maintain real expenditures per pupil during fiscal 1974, thanks mainly to a boost in revenue and a small drop in enrollment.

Revenues and Expenditures: A Tight Squeeze.

In summary, both the City and the School District faced steeply rising costs and sharply limited revenues. In combination these spelled double trouble. For the City the average level of real expenditures fell. In several departments these drops probably meant some reduction in particular services. For the School District real expenditure levels barely edged back up to the levels attained before the strike.

In one important respect 1974 seems to have been significantly different from the preceding years. In the early 1970s the substantial gains in both compensation and services were largely funded by revenue increases from state and Federal sources. Everybody benefited. The citizenry enjoyed higher real expenditures (and presumably increases in services), while teachers and municipal employees showed real wage gains. Philadelphians, of course, paid for these increases indirectly through state and Federal taxes, but because footing the bill took place indirectly, it was less burdensome than it otherwise could have been.

For the moment at least, these increases in state and Federal aid have slowed. Fiscal '74

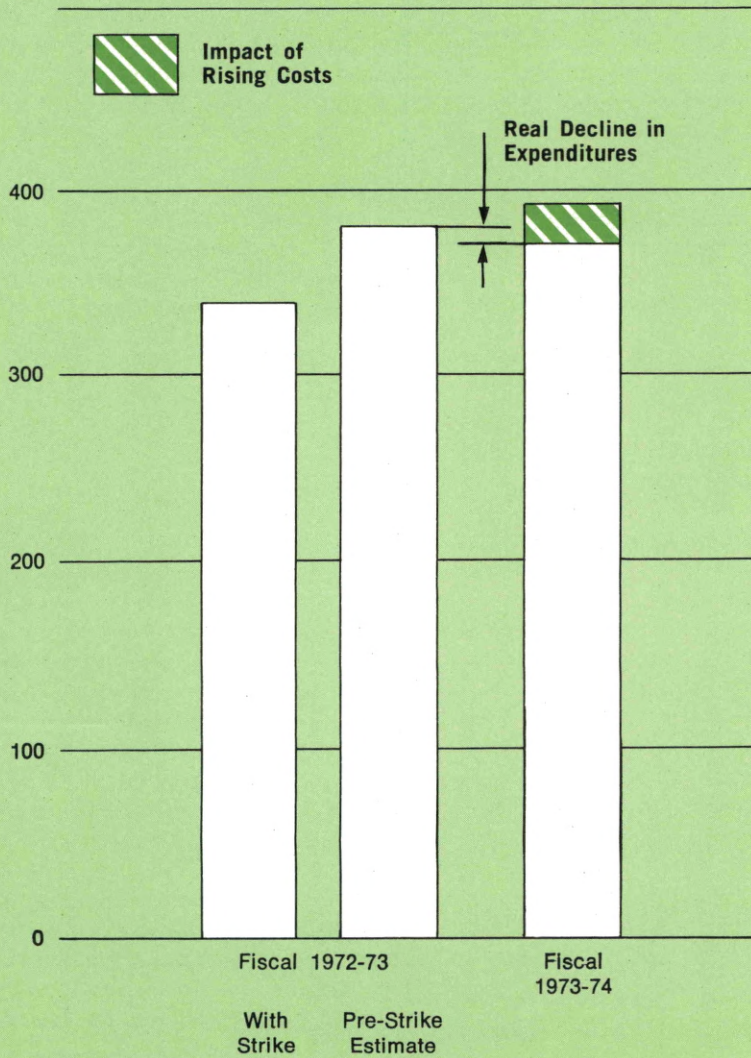
²Thomas D. Morris, William H. Corbett, and Brian L. Usilaner, "Productivity Measures in the Federal Government," *Public Administration Review*, November/December 1972.

³National Commission on Productivity, *Third Annual Report*, Washington, D. C., March 1974, p. 6.

CHART 4

REAL SCHOOL DISTRICT EXPENDITURES RECOVERED TO NEAR PRE-STRIKE LEVELS.

Millions of Dollars



SOURCE: Appendix 4, Table A.

showed a net drop in intergovernmental aid. Unless there is some new surge of state or Federal support for local government, the City and School District are faced with the prospect of funding wage hikes and other cost increases from local revenues. Such funding can take the form of local tax increases or cuts in real expenditures. And if real expenditures are cut, service levels will drop unless the cuts are offset by productivity gains. In '74, with local revenues growing slowly and no tax hikes, the City cut real expenditures to meet increasing costs. Resolving this three-sided dilemma—demand for services, limited revenues, and rising costs—provides the biggest challenge to policymakers in the periods ahead. Philadelphia, however, is not the only city with these problems. Virtually all large cities are facing similar budget difficulties.

THE OUTLOOK

What are the budget prospects as the City and the School District near the end of fiscal 1975? Although the complete picture is not yet in for the current fiscal year, the revenue/cost pinch appears to be as tight as ever. To help School District revenues, City Council raised the property tax by 3 mills, and the Commonwealth came across with \$19 million to cover increased expenditures during fiscal 1975. Even with these revenue increases, the District anticipates a deficit of between \$7.5 and \$10 million in the current year, attributable to increases in program costs and to some very small expansions in programs.⁴

Preliminary indications for the City are that the same pinch applies there also. Wage tax revenues in the first six months of the fiscal year climbed only 4.3 percent over the same period in 1974.⁵ When compared to the 11-percent growth from fiscal '73 to fiscal '74, this slow-

down suggests that the recession's impact on revenues is deepening. On the expenditure side, wage costs and the prices of other purchases continue climbing, restricting any growth in real expenditures. (See Box 3 for information on recent wage settlements.) Early indications are that the City will close the current year with a deficit close to \$20 million.

Fiscal '76 promises even more difficulties. The School District has provided an early look at its new budget. The numbers suggest rapidly climbing costs and consequently a large deficit unless new money is found. The City is also in difficult straits. Between the recession-generated demand for services (Welfare, for example), the large influx of Bicentennial visitors, and the continuing cost squeeze, whatever revenues are available will be desperately needed.

But new revenues will be hard to find. Projecting costs and revenues from existing sources, the proposed operating budget for fiscal 1976 comes up with a \$45 million deficit. To close this gap, the City is suggesting expanded coverage for the personal property tax, collection of past-due railroad taxes, increased court filing fees, a tax on premiums of life insurance policies from out-of-state firms, and accelerated property reassessments. The City is also banking on some increases in intergovernmental transfers. Realizing these revenue gains will probably be difficult.

Moreover, with elections coming up, it could be difficult for City Council to increase taxes. The Commonwealth will have its own fiscal woes as revenues from the sales tax and the income tax slump with the recession. So it will probably not approve any big new packages of aid. If anything is clear as Philadelphia approaches 1976, it is that municipal officials, the city's business, civic and community leaders, and labor face a series of difficult choices in the months ahead. One clear alternative—and the most attractive one from the perspective of both maintaining or improving services *and* holding taxes down—would be a clear commitment from City and School District leaders and employees to boost productivity in the provision of municipal and school services.

⁴Preliminary budget figures released in a February 27, 1975 meeting between School District administrators and the Board of Education.

⁵City of Philadelphia, *Financial Report*, December 31, 1974, p. 2.

BOX 3

WAGE SETTLEMENTS ARE BUILDING IN BIG COST INCREASES FOR THE CITY AND SCHOOL DISTRICT

Wages and salaries constitute as much as 90 percent of some City and School District department budgets. Knowing the pattern of wage settlements provides, therefore, a pretty good indication of the size of overall cost increases.

In Philadelphia several different organizations represent municipal and school employees. The Philadelphia Federation of Teachers is the main bargaining unit for School District employees. City employees are represented by several different organizations. The Fraternal Order of Police and the International Association of Firefighters represent uniformed employees. District Council 33, American Federation of State, County, and Municipal Employees, AFL-CIO, represents blue-collar and clerical employees, while District Council 47, AFSCME, AFL-CIO, represents administrative and technical employees.

Contracts between the workers these organizations represent and the City and School District are negotiated separately, so the timing and percentage rates of wage increases will vary. The accompanying Table shows recent settlements for the major bargaining groups.

The actual increase in the wage bill will depend on such factors as turnover and hiring practices. For example, with low turnover and little new hiring, average salaries will climb faster as employees are promoted and receive pay increases for experience.

Bargaining Group (Number of Employees Represented)	Effective Date of Settlement; Percentage Increase*			
	1972	1973	1974	1975
CITY				
Uniformed Employees (10,000)	7/1: 5.5%	7/1: 5.0%	7/1: 8.3%	7/1: 7.9%
Blue-collar and Clerical (17,000)	7/1: 4.2	7/1: 4.2	7/1: 4.2	†
Administrative and Technical (4,000)	7/1: 4.2	7/1: 5.0	7/1: 5.0	†
SCHOOL DISTRICT				
Teachers (13,500)**	††	4/1: 4	10/1: 2	4/1: 4 ; 12/1: 4

*Some wage settlements are negotiated in terms of dollars instead of percent increases. These have been converted to average percent increases. To translate wage increases into cost increases, changes in the salary structure must be taken into account.

**The wage settlements for the teachers also apply to counselors, paraprofessionals, assistants, and secretaries.

†As this was written, settlements had not yet been negotiated for nonuniformed City employees.

††Failure to arrive at a settlement in September 1972 led to the teachers strike, culminating in the April 1973 settlement.

APPENDIX 1 CITY REVENUES

Revenue Source ¹	(1)	(2)	(3)	(4)	(5)
	1969-70 (\$ Millions)	1972-73 (\$ Millions)	1973-74 (\$ Millions)	Percent Growth in Revenue 1969-70 to 1973-74 (3) ÷ (1) × 100	Percent Growth in Revenue 1972-73 to 1973-74 (3) ÷ (2) × 100
LOCAL REVENUES					
Real Property Taxes ²	\$111.3	\$124.7	\$108.6	- 2.4%	- 12.9%
Personal Income Taxes ³	201.9	257.2	286.2	+ 41.8	+ 11.1
Business Activity Taxes ⁴	40.8	51.0	52.7	+ 29.2	+ 3.3
Local Nontax Revenues ⁵	71.0	99.2	111.0	+ 56.3	+ 11.9
TOTAL LOCAL	\$425.0	\$532.1	\$558.5	+ 31.4%	+ 5.0%
INTERGOVERNMENTAL REVENUES⁶					
Commonwealth	\$ 36.7	\$ 94.0	\$ 83.9	+128.6%	- 10.7%
Federal					
Revenue Sharing	—	67.9	51.1	—	- 24.7
Other Federal	5.7	33.2	30.4	+433.3	- 8.4
Other	2.0	2.8	1.5	- 25.0	-46.4
TOTAL INTERGOVERNMENTAL	\$ 44.4	\$197.9	\$166.9	+175.9%	- 15.7%
GRAND TOTAL	\$469.4	\$730.0	\$725.4	+ 54.5%	- 0.6%

¹1969-70 data from David W. Lyon, "The Financial Future of City and School Government in Philadelphia," *Business Review* of the Federal Reserve Bank of Philadelphia, March 1971, pp. 3-71; 1972-73 from Table 3, City of Philadelphia, *Financial Report* Fiscal Year 1973, Office of Director of Finance, October 1973, pp. 5, 105; 1973-74 from City of Philadelphia, *Financial Report* Fiscal Year 1974, Office of Director of Finance, October 1974, pp. 10-11, 67, 72, 78, 98-99.

²Includes real estate tax and personal property tax.

³Includes wage tax and earnings tax.

⁴Includes net profit tax, mercantile license tax, and other taxes.

⁵Includes (1) Licenses, fines, service charges, and other revenues; (2) Revenue from City-owned leased utilities; (3) Reimbursement for Debt Service; (4) Port, Civic Center, Sports Stadium; and (5) Aviation Fund revenues.

⁶In 1972-73 and 1973-74 intergovernmental revenue includes General Fund and Anticipated Grants Revenue Fund receipts. To maintain comparability with 1969-70 data, the Economic Opportunity Program and the Model Cities Program have been deducted from the 1972-73 and 1973-74 Federal revenues. Commonwealth revenues include receipts for the County Liquid Fuel Tax Fund and the Special Gasoline Tax Fund. Commonwealth revenues also include U.S. and Commonwealth combined grants.

APPENDIX 2

SCHOOL DISTRICT REVENUES STABILIZED IN 1974
AFTER A PERIOD OF RAPID GROWTH

Revenue Source ¹	(1)	(2)	(3)	(4)	(5)
	Revenue in Current Dollars			Average Annual Percent Growth in Revenue 1969-70 to 1973-74	Percent Growth in Revenue 1972-73 to 1973-74
	1969-70 (\$ Millions)	1972-73 (\$ Millions)	1973-74 (\$ Millions)	$[(3) \div (1) \times 100] - 100$	$[(3) \div (2) \times 100] - 100$
LOCAL REVENUES					
Real Property Taxes ²	\$ 95.2	\$105.1	\$127.8	+ 11.4 %	+ 21.6%
Personal Income taxes ³	7.5	8.3	8.4	+ 4.0	+ 1.2
Business Activity Taxes ⁴	28.8	29.2	28.7	- 0.1	- 1.7
Local Nontax Revenues ⁵	2.9	7.4	8.1	+59.8	+ 9.5
City Grant	—	12.0	—	—	-100.0
TOTAL LOCAL	\$134.4	\$162.0	\$173.0	+ 9.6%	+ 6.8%
INTERGOVERNMENTAL REVENUES					
Commonwealth ⁶	\$140.0	\$210.7	\$214.5	+17.7%	+ 1.8%
Federal	6.0	5.0	5.0	- 5.6%	0
TOTAL INTERGOVERNMENTAL	\$146.0	\$215.7	\$219.5	+16.8%	+ 1.8%
GRAND TOTAL	\$280.4	\$377.7	\$392.5	+13.3%	+ 3.9%

¹1969-70 data from David W. Lyon, op. cit.; 1972-73 data from the School District of Philadelphia, *Annual Financial Report*, Fiscal Year ending June 30, 1973, p. 3; 1973-74 data from "Financial Statements for the Year Ended June 30, 1974," School District of Philadelphia.

²Real estate and delinquent real estate taxes.

³Nonbusiness tax and pari-mutuel taxes.

⁴General business tax, corporate net income tax, and rental occupancy tax.

⁵Payments in lieu of taxes, public utilities tax, interest on temporary investments, personal property tax, and miscellaneous revenues.

⁶In 1973-74 the District listed Special Education funds separately in the revenue category "Intermediate Unit." For comparative purposes they are included in Commonwealth aid here.

APPENDIX 3

REAL CITY EXPENDITURES IN FISCAL 1974 DECLINED SLIGHTLY FROM FISCAL 1973 LEVELS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Actual Expenditures In Current Dollars ¹ (Millions)			Price Deflators		1973-74 Expenditures in Constant Dollars (Millions)		Fiscal 1974 Percent Real Expenditure Charge	
City Department ⁴	1969-70	1972-73 ²	1973-74 ²	1969-70 = 100	1972-73 = 100	Base 69-70 = 100 (3) ÷ (4)	Base 72-73 = 100 (3) ÷ (5)	From 69-70 (6) ÷ (1)	From 72-73 (6) ÷ (2)
Courts	\$ 23	\$ 42.3	\$ 45.9	132.7	104.7	\$ 34.6	\$ 43.8	+50.4%	+ 3.5%
Debt Service	59	79.9	83.3	124.3	109.7	67.0	75.9	+13.6	- 5.0
Fire	30	39.9	41.4	144.6	105.6	28.6	39.2	- 4.7	- 1.8
Health, P.G.H.	45	78.9	78.1	127.9	105.8	61.1	73.8	+35.7	- 6.5
Pensions and Employee Benefits	43	84.8	72.7	124.3	109.7	58.5	66.3	+36.0	-21.8
Police	85.3	127.0	130.7	144.4	105.5	90.5	123.9	+ 6.1	- 2.4
Recreation	26.7	36.3	35.0	134.7	105.6	26.0	33.1	- 2.6	- 8.8
Streets	46.8	64.8	61.6	132.5	105.5	46.5	58.4	- 0.6	- 9.9
Welfare	39	54.4	55.4	124.9	105.8	44.4	52.4	+13.8	- 3.7
Other	72	108.1	117.2	128.2	105.6	91.4	111.0	+26.9	+ 2.7
Payment to School District	—	12.0	0	—	—	—	—	—	—
Social Security	—	—	12.5	124.3	109.7	10.1	11.4	—	—
TOTALS	\$469.8	\$728.4	\$733.8			\$558.5	\$689.2	+18.9%	- 5.4%
SERVICES SUBTOTALS⁵	\$367.8	\$551.7	\$563.3	133.6	105.5	\$423.1	\$535.6	+15.0%	- 2.9%

¹City of Philadelphia, *Financial Reports* for Fiscal Years 1970, 1973, 1974.

²Each department's expenditures for 1972-73 and 1973-74 are the sums of obligations incurred in the General Fund, the Anticipated Grants Revenue Fund, and other minor operating funds such as the Aviation Fund, the Special Gasoline Tax Fund, and the County Liquid Fuel Tax Fund.

³See Appendices 3 and 4, William A. Cozzens, "Philadelphia's Budgets: Past, Present, Future," *Business Review* of the Federal Reserve Bank of Philadelphia, April 1974, pp. 15-19, for detailed information on the derivation of a municipal price deflator for the City of Philadelphia. Box 2 in text details the price and wage changes from fiscal 1972-73 to fiscal 1973-74.

⁴Appendix 4, Cozzens, op. cit., contains specific notes on adjustments made in the 1969-70 and 1972-73 budget figures to ensure comparability across years.

⁵The services subtotals represent expenditures in City departments directly involved in the delivery of services. The adjusted totals subtract Debt Service, Pensions and Employee Benefits, Payment to School District, and Social Security from the totals.

APPENDIX 4

TABLE A
DETAIL ON SCHOOL EXPENDITURE CHANGES

Program Elements	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Current Dollar Expenditure (\$ Millions)				Price Deflators		1973-74 Constant Dollar Expenditures		Average Annual % Change 1960-70 to 1973-74 [(7)÷(1)]÷4	Percent Change 1972-73 to 1973-74	
	1969-70	1972-73 Pre-Strike Estimates	1972-73 Post-Strike Actuals ³	1974-74 ⁴	1969-70 = 100	1972-73 = 100	Base 1969-70 (4) ÷ (6)	Base 1972-73 (4) ÷ (6)		Based on Pre-Strike Estimates (8) ÷ (2)	Based Actual on Expenditures (8) ÷ (3)
Education Elements											
Early Childhood Ed.	\$ 5.5	\$ 7.7	\$ 7.5	\$ 7.8	130.2	104.4	\$ 6.0	\$ 7.5	+ 2.3%	- 2.6%	0 %
Elementary Ed.	66.6	75.4	69.2	78.4	127.5	104.2	61.5	75.2	- 1.9	- 0.3	+ 8.7
Junior High and Middle Schools	37.4	51.4	38.8	49.6	130.1	104.2	38.1	47.6	+ 0.5	- 7.4	+22.7
Sr. High and Technical Schools	47.7	56.7	45.3	59.2	130.3	104.2	45.4	56.8	- 1.2	+ 0.2	+25.4
Special Education	14.6	17.2	15.0	20.6	128.7	104.2	16.0	19.8	+ 2.4	+15.1	+32.0
TOTAL EDUCATION ELEMENTS	\$171.8	\$208.4	\$175.8	\$215.8	129.2	104.3	\$167.0	\$206.9	- 0.7%	- 0.7%	+17.7%
Plant Operations and Maintenance	28.1	40.2	39.9	45.6	142.1	107.6	32.1	42.4	+ 3.6	+ 5.6	+ 6.3
Administration And Support Areas ¹	33.5	40.3	37.1	42.6	135.3	104.8	31.5	40.6	- 1.5	+ 0.7	+ 9.4
Debt Service	29.5	56.7	56.0	56.4	124.3	109.7	45.4	51.4	+13.5	- 9.3	- 8.2
Employee Benefits	19.3	29.7	26.8	32.6	138.9	109.7	23.5	29.7	+ 5.5	0	+10.8
Undistributed items		5.5	4.6								
GRAND TOTAL	\$282.3	\$380.6	\$340.2	\$393.0	131.2	105.9	\$299.5	\$371.0	+ 1.5%	- 2.5%	+ 9.1%

¹Includes field operations, school services, curriculum and instruction, career education, municipal services, superintendent, administrative services, refund of prior years' revenues, and services for other funds.

²From the "Summary of the Proposed Operating Budget for the Fiscal Year Beginning July 1, 1973," School District of Philadelphia. "Proposed Revised 1972-73 Budget."

³Annual Financial Report, Fiscal Year ending June 30, 1973, School District of Philadelphia, pp. 5-8.

⁴Financial Statements for the Year Ended June 30, 1974," School District of Philadelphia, pp. 6-10.

⁵For the calculation of these price deflators see Box 2 in text and Appendix 3, Cozzens, op. cit., pp. 15-16.

APPENDIX 4

TABLE B REAL EXPENDITURES PER CAPITA

	Attendance ¹ 000's	1972-1973 Expenditures Per Pupil ²		1973-1974		Percentage Change 1972-73 to 1973-74	
		Pre-Strike Estimates	Actual	Attendance ¹ 000's	Expenditures Per Pupil ²	Pre-Strike 72-73 to 73-74	Actual 72-73 to 73-74
Early Childhood Education	23.3	\$ 330	\$ 322	22.6	\$ 332	+0.6%	+ 3.1%
Elementary Education	121.1	623	571	114.2	658	+5.6	+15.2
Junior High and Middle School Education	62.9	817	617	60.8	783	-4.2	+26.9
Senior High Education	61.7	917	734	64.4	882	-3.8	+20.2
Special Education	10.5	1638	1429	11.0	1800	+9.9	+26.0
TOTAL	279.4	\$ 746	\$ 629	272.9	\$ 758	+1.6%	+20.5%

¹Average daily attendance during the month of November. Budget Office, School District of Philadelphia.

²Calculated by dividing the real expenditures in each direct educational unit (from Table A) by the attendance in that unit.

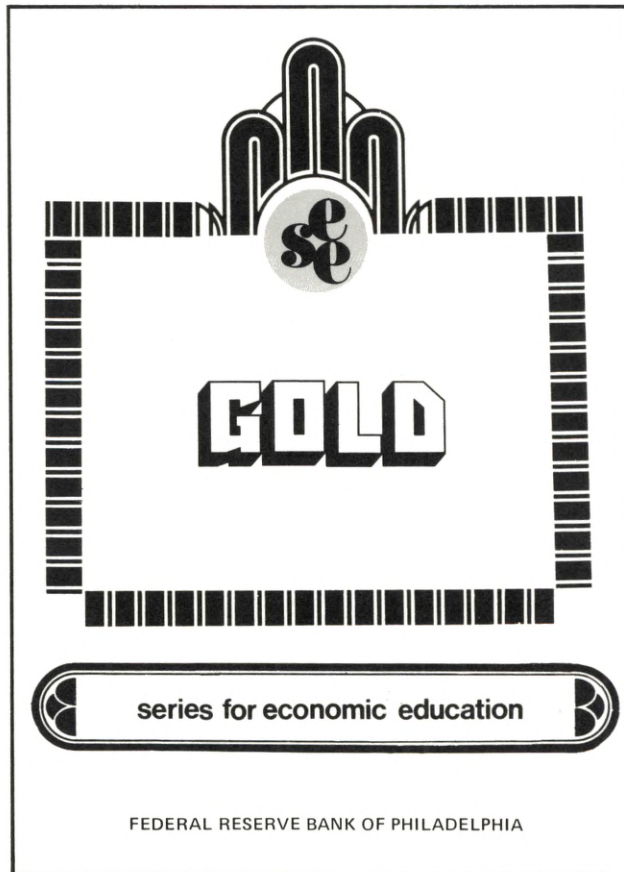
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Persons in the Third District may direct requests for loan of the film to Truth in Lending, Federal Reserve Bank of Philadelphia, Philadelphia, Pennsylvania 19101. Such requests should provide for several alternate presentation dates.



On December 31, 1974, Americans were permitted to buy and sell gold for the first time in some 40 years. Since then questions have been raised about the once-hallowed, almighty metal's worth and importance. For example, has its status in the United States and in the international monetary system changed? If so, in what manner? A pamphlet recently produced by the Philadelphia Fed's Department of Public Information considers the role of gold—past, present, future.

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