

Are American Cities on the Path to Bankruptcy?

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According to financial watchdog Truth in Accounting's [2020 Financial State of the Cities report](#), numerous American cities are in dire fiscal straits. Out of the 75 most populated cities observed in the report, 63 do not have the means to pay their bills. The total municipal debt for these cities is at \$323 billion.

The rankings used in the report detailed the cities' taxpayer burden or surplus. In other words, this is the amount each taxpayer would have to cough up for "municipal debt with nothing, such as benefits and services, in exchange." For example, New York City only had \$62.7 billion in order to pay for \$249.4 billion in expenses. In turn, it has a \$186.7 billion shortfall, which totals a burden of \$63,100 per taxpayer.

In Chicago, which is in second place as far as tax burden is concerned, each taxpayer would have to pay \$37,100 in future taxes without receiving any service in return. Similarly, Honolulu found itself in third place at \$26,400. On the other hand, some cities like Irvine, California, and Washington, D.C., were much better at keeping their finances straight. The former netted a surplus of \$4,100 per taxpayer while D.C. has a surplus of \$3,500.

From the looks of it, America is starting to become cash-strapped at all levels. Just look at the federal government. It finished 2019 with a [\\$984 billion](#) deficit and [\\$23 trillion](#) in debt. The fiscal profligacy that D.C. has immersed itself in is being emulated by many states and cities across the nation. Americans are already getting themselves into record levels of personal debt as well. What we're witnessing is a generalized trend that is indicative of a culture that has lost financial restraint. Obviously, there needs to be policy solutions, but most of these changes start at home.

Cities ultimately have the choice to pursue policies as they please. I have long argued that most federal programs should be devolved to the state and local level. That's where America can find [federalist solutions](#) to many of its problems. However, cities must take ownership of the problems they have generated through their fiscal recklessness. Public education has played a significant role in putting cities and states on the brink of fiscal collapse. Teacher union interest groups have become parasitically attached to public education, accumulating much wealth at the taxpayer's expense. Now, these cities will have to confront the economic reality of bankruptcy thanks to these interest groups holding them [hostage](#).

Reformers will have to dispense with sacred cows such as public education and consider cuts and privatization schemes for public services corrupted by graft and rent-seeking. If America is serious about fiscal discipline, it must be willing to get its finances straightened

out at the local level. From there, it can build enough momentum to make fiscal prudence a reality at the state and federal level.

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