totalled $86,668,000 or roughly $15.26 per capita. In addition to revenues from this source, the State also benefits from special taxes on liquor and liquor licenses, franchises, and corporations, as well as a 1½ income tax. In the latter respect it is interesting to note that the State taxes taxes in that taxes paid to the Federal Government are not deductible in computing income for State tax purposes. (Note: A special study of the collection of the retail sales and use taxes will be found in Table 76, Appendix Page 80).

2. Bonded Debt. Bonded debt for Los Angeles County as of December 31, 1938, including all political subdivisions, was $612,216,000, representing an increase of 4.2% over 1937 an all-time peak. The two largest items included in this debt are for the Metropolitan Water District ($159,822,000) and the City of Los Angeles ($248,041,000). Of the former obligation, it would be well to point out again the dire necessity this area faces in supplying needed water supplies for its growing population and for its agricultural needs. It is believed, however, that revenue derived from sale of the water, when the Colorado River Aqueduct is completed, will be sufficient to cover operating costs and debt service, thus freeing the area from its present tax burden.

In Table 77, page 81 of the Appendix, will be found a complete breakdown of the bonded debt structure for the County and its political subdivisions for the years 1933-1938, while in Table 76, pages 82 and 83 of the Appendix, is listed a tabulation of net bonded debt by types of obligation and by cities and zones.

K. THE ECONOMIC FUTURE OF METROPOLITAN LOS ANGELES

The economic future of this area is inextricably bound up with its population growth and characteristics. Its greatest industrial development has, in the main, been in response to the demand created by the rapidly expanding local market, exceptions, of course, being made in the cases of the petroleum, motion picture and aircraft manufacturing industries. By the same token, the great advances in the County agricultural income have come into being as a result of the intensification and specialization required to feed a rapidly growing metropolitan area. Outside of the citrus fruits and nut industries, virtually all the agricultural crops are for local consumption. In short, almost all of the economic growth of the area has been secondary and required to service a growing population. This condition sharply differentiates Los Angeles from other large cities where the influxes of population have been in response to the demand by local business or industries for workers.

Now that Los Angeles has attained its present large size, a rapidly increasing population is no longer so vital to its economic welfare, for the creation and exchange of goods and services required by a population of nearly 3 million persons in themselves are sufficient to employ the full time of thousands of workers. However, the whole economic philosophy of the Los Angeles business and financial class is so geared to operations in an area of rapid growth that a cessation of such growth might well produce serious economic consequences, particularly in the real estate and mortgage field.

Detailed attention was given in Section 1-F (Pages 4 and 5) to the possibility of a declining rate of growth in this area. The conclusion reached there was that Los Angeles had attained its maturity and that the rate of growth would decline in the future, although the effects of the war now raging in Europe were not taken into consideration in reaching this conclusion. War, therefore, forms a variable factor which, if this country remains neutral and prospers through sales of munitions and foodstuffs to embattled Europe, might create a new class of wealthy or prosperous persons in the country, who would sell out and travel to California to retire as thousands did after the first World War. Since it is difficult to accurately gauge the effects of the war for the purposes of this report, it is best omitted from further consideration here, although this problem will be given a thorough discussion at the end of this report.

Assuming that population growth is to materially subside in the future, it is logical to assume that there must be readjustment of some of the cardinal business policies now being pursued locally. Perhaps outstanding among these is the necessity for re-establishing a price balance in local land values more in accordance with the laws of supply and demand. It was pointed out earlier that there are enough platted lots in the area under survey to care for a population of over 5,000,000 persons, yet there has been but slight deflation in the asking prices for lots in the area. This, of course, relates more closely to the discussion of real estate conditions than it does to general economic conditions and it is, therefore, passed over here with no further discussion. However, it is evidence of the tendency of local business and financial