

Some have responded favorably to the allegation of the power. Certainly, this year in-aid this year principle.

Of course, the sharing and decision making, we do not the most power and suggest that \$500 million budget be allowed.

There are three

1. *A modest Federal revenues is and local government* the automatic expansion economy grows. Co-general revenue share tax rates not a red programs.
2. *The revenue to each state, city a manner.* The allocated formulas contained subject to the disci-ficial. As the mon-grams, each state, each receives revenue, services or mo-Federal Governmen
3. *The states, money will make the funds should be* ment will not second local priorities. Fin-will be required spent for a lawful nondiscriminatory than any Federal of effectiveness of the Revenue sharing able method for str and local governme-lic sector; it is the r-able.

credit for state and local income taxes against a per-son's Federal tax liability — for that would almost amount to a blank check on the Treasury. On the other hand, those who suggest a credit as low as 10 percent apparently do not understand the Federal tax system. Many taxpayers would be better off by merely taking the existing deduction for state and local taxes.

## TAX CREDITS?

In any event, hard-pressed states and localities would only benefit to the extent that a credit toward the Federal income tax softens taxpayer resistance and thus enables state and local governments to institute or raise income taxes above the levels otherwise politically acceptable. Dollar for dollar, revenue sharing will be more effective in channeling financial resources to states, cities, and counties. Clearly, a Federal credit for state and local income taxes will do little to help local governments who derive the bulk of their revenues from the property tax. At best, the benefits would be distributed in an uneven, hit-and-miss fashion.

The revenue sharing proposal was very painstakingly developed. Many man-months of time and effort went into its design. The details were carefully worked out with knowledgeable representatives of Federal, state and local governments, with private citizens, and with Democrats, Republicans, and Independents. In both concept and detail it is a thoughtful and nonpartisan plan offered in good faith.

Hence, the overall favorable response has been heartening. Yet, I confess a sense of dismay at the nature of some of the specific reactions. I am concerned over the kind of intellectual environment in which there is a ready desire to believe the worst and a strong reluctance to accept facts demonstrating the contrary. The case in point is the role of the central cities in revenue sharing.

It has repeatedly been shown that the central city tends to get a larger share — not just a larger total share but a larger per capita share — than suburban communities. That is true in each of the 25 largest metropolitan areas in this nation. Yet, we still see or hear the inaccurate charge that the Administration's revenue sharing proposal funnels the bulk of the money away from the central cities. There seems almost to be a Gresham's law operating here — bad information drives out good.

The factor determining the allocation of general revenue sharing among the cities and counties of a

recent statements suggest cities to realize most overwhelming political problems that existence of major

provided such a automatic account of 1970, I found an f over 70 million of the budget. The n by a 10 percent an increase of \$50 largely the result of essential municipal through increased we had to raise the the highest in the the months of study opted for a series and consumers . . . ghtly discriminatory we had no alterna-

nd effective alter-resenting it. How-acy and often the pts by the Federal eliorate the kinds d other state and

## CONTROL

ationalization of a contrary, that was prior study and ex-o have been most nning approach. t such findings in the private sector: y as to the extent nverting the states deral Government. the states may be-nts to the arsenal-

eral control and influence are exercised varies substantially both by program and region, but the cumulative effect is quite substantial.\*

That conclusion was hardly unique and is generally shared by those who have worked with or studied grant-in-aid programs. The real challenge, of course, is to come up with alternatives superior to the status quo. Most of the alternatives to revenue sharing that have been suggested recently are not new; in fact, they are precisely the ones that had been considered and, after careful examination, rejected.

## FEDERAL FUTILITY

It is clear that further direct Federal assumption of local program responsibility or greater expansion of the categorical grant-in-aid system would fundamentally be futile in dealing with the underlying problems facing our state and local governments. To pump substantially more Federal dollars into the proliferating maze of narrow programs represents merely a reecho of that tired and ineffective response.

Furthermore, this extremely expensive suggestion is now being made by those who have questioned where the nation will get the money for revenue sharing; the inconsistency in their argument is striking, even though perhaps unintentional.

Similarly, Federal tax credits for state and local income tax payments may seem like an easy response to this difficult question, but they do not hold up under examination as an effective device for bolster-

\* M. L. Weidenbaum, *The Modern Public Sector*, New York, Basic Books, Inc., 1969, p. 15.



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