It seems to me that this trend that you have described in your statement works directly against the response you have made I believe, to Senator Talmadge or Senator Javits, about the need for incentives in our system.

The fact is that, in the last analysis, incentive is most important in solving some of these problems, and you suggested that with respect to the hard-core unemployed it isn't just dollars that are going to solve the problem. Are you worried about this? Are you worried about the fact that the net effect of the administration's proposals will tend to work against the things you believe in with respect to incentive?

Mr. COHEN. Well, of course incentive is not easily measured by the usual kinds of tests. It involves psychological as well as economic factors.

As a taxpayer, like everyone else, I don't like to pay higher taxes per se. But with respect to the social security system, as the contributions go up, I think that if you assure the average worker that he is getting a greater degree of protection, the evidence seems to be on the whole that he is willing to pay for a reasonable amount of protection.

Representative RUMSFELD. You don't feel therefore it doesn't have an unfortunate effect on the incentive question because of this compensating factor you mentioned?

Mr. COHEN. I would have to admit that it would have some effect on some people. I could conceive of the problem in lower and intermediate income levels. Quite frankly I don't think it is a disincentive on higher income people.

I see no evidence whatsoever that people with higher incomes and with higher education and with greater opportunities have a disincentive because of higher social security taxes or in most cases higher income tax rates.

But I would have to admit the validity of your question. You have to look all the way down the line and see what the disincentives are to people of less education, less opportunity, and maybe there comes a certain marginal point balancing a lot of other things where there could be a disincentive. In other words, I don't want the social security tax to go so high that it is a disincentive. I don't think we are at the point at the present time.

Representative RUMSFELD. My time is up. I would like to ask one or two questions for the record.

First of all, your statement is interesting. I am a little concerned that it doesn't seem to consider the effect of inflation, increases in the cost of living, as far as impact on the problems you have outlined here to the extent I would be satisfied. I think you have overemphasized one side of the picture and underemphasized the other.

In your statement, in the section called "Expenditures for health, education, and welfare," I would like to have submitted for the record a breakdown as you have done in part for Federal public, State and local public, and private, with the trend say, since 1962, both in actual numbers and as a percentage. I would like to see what the trend of the private contribution in these areas are.

I mention this because I have seen instances in Illinois, where the private sector, the voluntary organizations are pulling out of areas as Government money comes in.