dollars, and they are going to continue to need those dollars. But to keep the international monetary system from having a restrictive effect on domestic economies, we of course ought to press forward with reform.

Representative REUSS. Now let me turn to the Heller plan, which Senator Javits touched on. I, too, am most sympathetic to the general outlines of the proposal of you, Dr. Pechman, and others. I have been concerned, however, that our local governments very much need modernization, and that the States, since they are the creator of local governments, are the agencies to do it. Our rural governments, our counties and towns are archaic and inefficient, and in our great cities, we have the bare beginnings of sensible systems of managing our metropolitan affairs.

I am wondering, therefore, if it would not be possible—I think it is—to combine the Heller plan notion of unrestricted bloc grants to the States, with some initial incentive to the States to get on with the job of modernizing State, and particularly, local governments.

In presenting that to you, I have in mind the notion of Federal strings. What is in my mind is to ask good faith demonstrations from the States that they are on their way toward modernization, and then for a period of 3 to 5 years, have the Congress make available pretty much unrestricted grants to those States which show a good faith creative effort at the beginning. What would you think of that gloss on the Heller proposal?

Mr. HELLER. I said earlier, Congressman Reuss, that I certainly don't have a patent on any particular plan in the sense that there aren't a great many variations on this central theme that might make good sense. I would hope that some of this reform that you are talking about would be facilitated simply by lifting some of the terrific financial stringency from the backs of progressive Governors and mayors, and so forth, by giving them some funds without matching requirements, and that this would facilitate a movement that is going on toward modernization, but going on at a snail's pace, I grant you.

Your proposal strikes me as a very interesting possibility, a possible variation on the basic theme. The objective is one I fully agree with, but I wonder whether this would perhaps inhibit the introduction of the plan to a point where we might not get it at all. What I am trying to say is, that the need is so great in the longer run, and the fundamental purposes to be served so important—a better distribution of our tax burden, a better financing of State-local expenditures, greater equalization—that I am willing to take something that is short of a perfect solution because we are serving these very broad objectives.

I would very much like to see the modernization you are talking about. This might be one of those cases where the Federal Government would in effect be saying to State and local officials and civic groups, and so forth: "We are going to force you to do something you really want to do, but are unable to do because of the competing special parochial interests."

This might be called a benevolent form of coercion, something to be handled gingerly, yet not to be ruled out. I see it in our metropolitan are in the Twin Cities. We are trying to do something. There is a strong urge for metropolitan areawide finance, and for some sort of coalition. Yet, as you know, the specific interests and the fears of