

The metropolitan areas must share in additional Federal revenues to the States. A congressional decision to share taxes with the States will almost necessarily include provision that a portion of these additional revenues go through the State to metropolitan areas. Moreover, the transfer to the metropolitan area will require formulas with many of the same factors as affect the tax sharing with the States. Either a State agency or a metropolitanwide organization will be needed to assure that the core city and suburbs that are hardest pressed by high tax rates and low public services receive the additional funds. No Federal shared taxes should be available to governing units in the metropolitan area whose tax rates are below and whose public services are above the general norm of their neighbors.

Will the States and their metropolitan areas expand programs rather than cut taxes with expanded Federal revenues? The flippant answer is to suggest that Parkinson's law operates: Expenditure demand will rise to claim any unused revenues. The more serious answer comes to the same conclusion. Any sharing of taxes that seriously takes into consideration need or unmet public demands and high tax effort in its distribution to the States and cities is not likely to be used for taxpayer rebates. An earlier analysis of mine found the height of taxes among the States more closely correlated with the individual State's political decisions of past decades than with current economic or political characteristics. Unsegregated Federal funds could assist many of the States in raising the accustomed level of public services and thereby adding weight to future State tax effort.

No decision as to Federal assistance to the States is without its risks. The 50 States vary in their political traditions and their administrative effectiveness. There are potentials for revenues, political leadership, and innovation in the States and metropolitan areas. Congress must help to mark out their work.

(The expanded statement of Miss Penniman follows:)

EXPANDED STATEMENT OF CLARA PENNIMAN

SOME POLITICAL IMPLICATIONS OF OUR FEDERAL FISCAL SYSTEM, 1970?*

I begin with certain assumptions: 1. that a majority of citizens find substantial unmet public needs in the characteristics of their communities and in the available educational, health, and welfare services; 2. that most of us would like to improve the quality of the environment in which we live, work, and play; 3. that many have a concern for those who do not share reasonably in the economic growth of the nation; 4. that in the *aggregate* in the United States today we have sufficient resources to meet most of our public needs and desires without unduly sacrificing private living standards and 5. that the quality of life and the productivity of our economic system in the future rests on decisions that we are now making. Some of the things we want represent public expenditures for consumer items to improve the aesthetics and pleasure of living. Many more of our wishes or demands represent potential investments with prospects of substantial returns far above the tax costs.

*So much has been written of relevance to this essay that it is impossible to acknowledge all indebtedness and seems pretentious and unnecessary to document most of the statements. Anyone unfamiliar with the field might well begin by reading: Advisory Commission on Intergovernmental Relations, *Metropolitan America: Challenge to Federalism*. A study submitted to the Intergovernmental Relations Subcommittee of the Committee on Government Operations, A Committee Print (Washington: U.S. Government Printing Office, October 1966). I would then recommend Walter W. Heller, *New Dimensions of Political Economy* (Cambridge, Mass.: Harvard University Press, 1966); George F. Break, *Intergovernmental Fiscal Relations in the United States* (Washington, D.C.: The Brookings Institution, 1967); and perhaps Christopher Green and Robert J. Lampman, "Schemes for Transferring Income to the Poor," *Industrial Relations, A Journal of Economy and Society*, Vol. 6, No. 2, February 1967, pp. 121-137; references indicate numerous additional sources.