adopted a low rate proportional income tax this year after its sales tax had reached 4%.

Property tax rates, as Harold Groves, pointed out in a paper in Volume I prepared for these Hearings, are climbing spectacularly in the country's largest cities even though many of these cities also use income and sales taxes. Where much of the greatest urban poverty exists in each state, there also are the highest urban property tax rates to reduce still further the available income of those in the lowest fifth of the economic scale. Growing state and local borrowing together with rising service demands give no hint that present taxes will be lowered or, what is really more important, that there will be any move away from further deepening the regressivity of the tax systems.

II

Since an important segment of the issues presented here lies at the door of the states and local governments, why bring the problem to this committee and the Congress? National attention is already focused on many of the difficulties. Every city riot and its intertwined roots finds national headlines. Poverty, discrimination and its consequences, educational demands, crime, air and water pollution, and transportation and housing needs may be old. In their modern guises, however, they have national dimensions both in causes and consequences. Individuals and groups who have failed to gain demands at local or state levels have come to Congress for decades for redress. Many of these appeals have been answered through national programs or in grants-in-aid. Other problems develop and further appeals are made. The concern today is with our whole federal structure. How can we make state and local governments work better so that we at least can contain the administrative burden of the National government? Is there no way to justify the states as "laboratories of experimentation" except as a historical statement or a convenient shibboleth? Several sets of problems need disentangling. We can dissect at least part of the intermix of state and city problems though we may need later to put them together again with the national for all round viewing.

(1)

A significant number of the states (perhaps a third to a half) have ample financial resources but for internal or external political reasons have not used the resources at their command to alleviate the ills within their borders. These ills may be imports that they hope to export to others. Or they may never have accepted responsibility and have allowed others to cover for them. Higher education is an example of the latter. A number of states, some rich in revenue potential, failed for years to provide college and university opportunities to many of their young people. Other states received some of these students and gave them an opportunity for education at some cost to the second state's taxpayers. What is the spur for the inactive but well off state?

We don't fully know why some states make more of a tax effort than others. In an increasingly interdependent economy and society, the federal partners in our government enterprise can not make significantly different policy decisions. This point has particular force in the tax realm. There are effective parameters outside of which individual states can neither raise nor lower taxes unless there are "crises" that tend to move all fifty in the same direction.

There is, however, a further characteristic among the states. The interdependence may set upper and lower limits of taxation, but this author's analysis of a couple of years ago found that states showed great persistence in their general rank order.[1]

Using per capita taxation, a rough measure of the quantity of services furnished, California, Massachusetts, Nevada, and New York ranked in the upper quartile decade by decade from 1902 through 1962. Washington ranked there six out of seven times; Colorado, five out of the seven; and Connecticut and Wisconsin, four out of the seven. Consistency is even stronger on the low tax side (low services?). Eleven states (Alabama, Arkansas, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Texas, Virginia, and West Virginia) were in the lower quartile of twelve states in per capita taxes. Eight of the eleven

[1] See chapter 8, "The Politics of Taxation," by Clara Penniman in *Politics in the American States*, edited by Herbert Jacob and Kenneth N. Vines (Boston: Little, Brown & Company, 1965).