options. Some would reduce federal income taxes as was done in 1964 with the hope that the spur to the economy would increase state tax revenues. This suggestion is not to be overlooked when the economy is lagging, but it does not assist much in equalizing different taxing abilities among the states nor does it necessarily assist citizens with the greatest need. More direct assistance to the states would include (1) continuing and perhaps increasing federal government programs and specific grants in aids to the states; (2) modification of the grants in aid program in the direction of fewer grants of greater size with possibly greater built-in sensitivity to differences among the states; (3) federal income tax credit for state income tax payments; (4) federal income tax credit for all state tax payments or at least sales taxes in addition to income; (5) the negative income tax; (6) block grants; (7) shared tax revenues.

Perhaps none of these proposals is inherently contradictory with any or all of the others. Manifestly the national treasury can not afford them all. One and two could be achieved without necessarily increasing present appropriations. And some action may be due here to reinforce other choices. The income tax credit in this author's judgment comes too late and further tax credits would be extraordinarily blunt instruments for the objectives. A block grant and a shared tax may have technical distinctions, but practically may be merged for consideration of political implications.

1. CONTINUING GRANTS IN AID & FEDERAL PROGRAMS

If Congress takes no new change in direction in its relation with the states and local governments, what can we predict for the next five or ten years?

Historically as unmet demands have piled up at the state and local government levels, Congress has established or broadened programs to be carried out directly by the national agencies or increased grants in aid to state and local governments for specific purposes. There is no reason to eliminate either of these approaches, and both may well need expansion; but there is evidence that the two *together* and *expanded* are incapable of effectively meeting today's needs within the framework of the federal system. To put the full responsibility within the federal agencies would remove many functions from the states and municipalities that historically have been theirs and would place back-breaking demands on the federal administrative structure. One does not have to have an abnormal fear of centralization to believe there are limits to which computers and PPBS can be put to provide desirable control to assure effectiveness and satisfactory responsiveness to local conditions.

Although grants-in-aid programs have done yeoman service *and must continue to do so*, there are difficulties here too. 1. The very number of grants places a burden on the states and localities to understand and to utilize in the most satisfactory fashion. 2. The variety of programs and numerous available outlets make for strictures and limitations at times rather than promoting innovation. 3. All states and localities are treated equally in the sense of the complexity of the application process and most of the strings attached despite differential evidence of past quality performance. 4. The separate formulas at times produce curious seeming inequities when total grants are observed in relation to needs and resources. 5. Inconsistent purposes or at least inconsistent programs are not unknown.

We might restate the problem of grants-in-aid to the states as analogous to the poverty problem. Despite all the specific welfare aid policies (at every level of government and involving huge federal sums), poverty and the grinding effects of poverty still persist. We are now attempting to look at it whole rather than through categories, and our success is likely to be greater. So too, despite increasing national billions (15 billion in 1965) of grants in aid and sustained effort at all levels of government, the states and local governments continue to show strains that reflect continuing budget struggles to match means and ends.

Let me reinforce some of the difficulties cited with the grant-in-aid structure. Wisconsin is an extraordinarily average state among the 50 when many standard characteristics of size, population, income are compared. It repeatedly ranks around the middle as 24th, 25th, 26th. It is a state that I believe most of you know has been relatively free of corruption and graft in this century and at times has been creative and innovative in program. How creative it has been recently might be debated, but that its citizens have been willing to tax themselves heavily for financing welfare, education, and other programs can be substantiated by any reference to per capita taxation records and particularly to per capita taxa-