Wisconsin are among the states with 25 to 50 or more years of experience with sharing taxes.

A shared tax may have absolutely no strings attached, as has been true in Wisconsin or it may be shared for a definite purpose, as in Minnesota where the shared income tax is returned for school purposes. Block grants have most of the characteristics of a shared tax. The block grant ignores the revenue source and usually states a general purpose. The shared tax can assist in improving the tax choice of the receiving government, but leave it totally free or free within some broadly specified limits.

Devising a distribution formula for continuing use over decades is a sensitive political and technical problem. Subsequent change is politically difficult as the experience of every American state will testify. The wrong formula may fail miserably to accomplish the purposes agreed to or may have as many unintended consequences as any series of grant-in-aid programs. If an objective is some equalization among recipients, don't return taxes on the basis of where they were collected. This is a fundamental error in Wisconsin sharing of its income tax, and this 1911 error (though modified two or three times since) has the inevitable result of assisting communities that least need it. Such factors as population or per capita income or per capita income and tax effort give measures that may help in equalizing revenue to meet needs. Other considerations today could include a provision for state transfer of a portion of the shared taxes to its metropolitan areas, again to recognize per capita income and tax effort in the metropolis, or a provision to bar use of the federal shared taxes for selected purposes such as highways where there already is a national trust fund arrangement.

What would the states do with an additional $5 billion or whatever figure might be set aside from the federal income tax and returned to the states each year? Would they expand and improve services or cut taxes? Would they improve their own administrative effectiveness for carrying out programs?

Since we earlier agreed, we can't fully explain why some states are more willing than others to tax themselves for public services, there is no unequivocal answer to whether the states would use all federal shared tax revenues for expansion and maintain their own present tax effort. Unless the shared revenues came in a flood that did not permit gradual absorption each year by rising demands, it would be an easy gamble to bet against tax reduction. The pent-up service demands in the average or less than average income state would almost certainly swallow the new revenues and establish an expanded base for the future. To illustrate: In the spring of 1966, the Wisconsin Tax Department announced that its earlier tax estimates had been too pessimistic. Although presumably an adequate state budget for the biennium had been approved roughly a year earlier, the legislature came back into session and quickly approved increases totalling $21 million for increased aids to local schools (about $14 million); civil service and university faculty salaries (about $4 million); and welfare increases (about $3 million).

States less hard pressed than the average are still, I think, more likely to be lured to spend than to cut. A tax-effort measure in the formula would constitute an incentive to keep taxes moderately high, and no state today has met all of the service demands that most observant critics identify.

Some political power and decision-making would shift if shared taxes replaced a similar expansion in grants in aid. Governors and legislators would gain opportunities to make choices in program priorities. Program administrators would lose some of their present influence—to the extent they have it in policy and administrative negotiation with federal agencies, but would gain some opportunities for experimentation and innovation. A political scientist looking at Illinois budgeting expressed a most pessimistic view of control of federal grants that contributed to the state's seeming lack of purpose and concluded:

"As one official in a heavily subsidized agency put it, 'We can't tell how much we will get from the federal government until the federal allotment comes in. We spend whatever they give us, but it's impossible for us to tell in advance how much it will be.' . . .

"The trappings of Constitutional sovereignty exist, but the expenditure decisions made under this protective umbrella are not the decisions of a sovereign; they are the decisions of an organizational system grown tired with age and enervated by a willingness to let others determine the direction in which the lifeblood of the organization shall flow."[5] This may have been an overdrawn con-

[5] Thomas J. Anton, *The Politics of State Expenditure in Illinois* (Urbana: University of Illinois Press, 1966).