

progression of these costs. Those of us who have to explain increasing budgets to the electorate, as you and we do, have experienced the validity of Baumol's theory.

We in New Jersey have just recently passed a sales tax, and that helped us for only 1 year in abating the escalating revenue curve. We go back immediately to that rising curve after 1 year of this relief, and realize again what Professor Baumol's theory points to. What he is also arguing is that as you move into the service sector, and as one gets into this escalating cost structure, one must tie the tax system very close to the growth of the general economy. This is why I think, at least for a transitional period, that it is important to get general support to State and local governments which face immediately this cost curve, but have not tied their tax structures as the Federal Government has to the rising level of the general economy.

Therefore, at least as an interim device and as leverage, we ought to be redeploying national incomes and resources to State and local communities which are faced with the problem, but without access to that growing tax base.

Still another argument for decentralizing and for moving away from what we now have is the confounding array of present Federal grant programs. I can give you the full horror story of what it is like to deal with 440 separate Federal programs. This is probably the purgatory to which a former foundation official should be assigned.

After 12 years of being on the giving end, I have now been placed on the getting, and I have seen, being responsible in my State for the coordinated manpower program of the State, what it means annually to try to put together scores of grant programs involving different and competing agencies into a workable manpower program for the State.

It is almost impossible. And when one finishes one round of negotiation, the next year one must begin all over again and usually with a lot of resentments that have been built up by his aggressive posture in the last.

I can also argue that this fragmented grant system has never really formulated or expressed its basic policies and purposes. There are three basic purposes for grants and shared revenues:

One is general support to relieve the revenue needs of State and local governments.

Second, equalization so that those States and those communities with more of the problem than others, and less of the resources, get a fair share.

Third, stimulation—grants serve as incentives, prods, gadflies.

Interestingly enough, we have never really segregated these purposes in our grant structure. As one reads through the list of 440 Federal aid programs, one will find a confusion of purpose. And sadly as one looks back over the system and its performance, none of these three purposes has really been fully or very well satisfied.

For example, I am told by those who have studied the matter that there has not been a significant equalization of national resources through the grant mechanisms, though each usually has its own formula for equalization.

Second, it is clear that even the \$15 billion of Federal revenue now put out to the States and communities is not a significant relief of the