

of old, somehow is gaining such weight that we can't support it, and it is going to roll back and crush us.

There is something going on in our present society of major scale. Professor Ecker-Racz referred to it by saying that the problems we ought to be looking at go very deep indeed. We ought not to stop with a superficial look at a few suggested specifics, but instead I think dig down in ways which I would now suggest:

More important than any distribution formula is the bargaining process that is bound to accompany and govern its use—bargaining as to how much of which resources ought to be owned by whom and be spent on what. As we begin deploying national resources and favoring States and local government, we ought to set the agenda for this national bargaining, and perfect its machinery.

I think that any financial favor to the States and localities should require changes in certain fundamental ways of operation and structure. Clearly, I think the argument would be in favor of moving toward tax systems which rise proportionately with the general economy and national income.

There ought also to be some reallocations of functions. We are now developing national sewage systems, national water systems, national road systems, and national utilities of all kinds through isolated Federal grant programs given to isolated pieces of geography on a first-come, maybe, first-served basis. These grants don't add up to well-planned national systems.

We are a national urban agglomeration. One man's sewage system is another man's front yard. We must be able to develop a national, at least a State, plan for the development of what are national utility systems. I would think that if we are going to favor the States and municipalities with more money, we ought to have a bargaining process which would require annually or every few years, a statement of what the State's plan is for the major use of these funds, and what its strategy might be.

We ought also, I think, to develop continuing mechanisms for the bargaining process. They might, for example, be the Advisory Committee on Intergovernmental Relations, or maybe we ought to set up a different process within Congress and/or the executive. We certainly ought to require of States and municipalities the kind of competence that is reflected in the Council of Economic Advisors, because if we are going to get into national fiscal policy on a three-level basis, there has to be a three-level capacity for sophisticated fiscal analysis and administration.

Another major point: Our perception and handling of the equalization has to be refined. It is true that certain depressed economies in the United States coincide with political boundaries. Appalachia, however, spills over many States, and not all central cities or parts of central cities are equally depressed. What I am saying is that it is not automatically true that if you redeploy your resources in favor of certain political jurisdictions; you will solve the problems that equalization is supposed to solve.

We will have to refine our concepts and zero in on what I would generally call "deficit areas" in the American economy. These can be defined by several criteria which are already available to us through the Bureau of the Census, through economic analysis and through our own viscera.