These "deficit areas" would include Appalachia and the ghetto. Their recovery would require at all levels of government a perfection of the Keynesian analysis that has given us the Council of Economic Advisers, the Full Employment Act, and the sophistication of people like Dr. Ecker-Racz. We must—and soon—develop a subnational economic theory and strategy.

Currently we have stabilized the national economy at high levels of employment, but at less than full local levels of employment and well-being. Therein lies the failure and the missing part of our aggregate strategy for economic stability in the United States. Clearly what we have to do is to make certain that when money goes to the States, and even the central cities, that in fact it reaches and solves the problems of these depressed areas. Further, there is more to the formula for recovery than the mere expansion and redeployment of public outlays.

The Keynesian formulation required policymakers to consider three factors: public outlay, consumer expenditure, and private investment. Until one gets a mix of these three strategies, a Bedford-Stuyvesant will never pull itself up by its bootstraps. Simply adding public outlays to Bedford-Stuyvesant will not solve the economic problems of that area, nor of Newark, or Detroit. We need coherent policy that considers and influences all three kinds of resource flows.

We need at the national level far greater competence in handling subnational economies and deficit areas, in the Council of Economic Advisers, in the Bureau of the Budget, in the Treasury and in the Federal Reserve System. At the State levels we need the same kind of capacities, and similarly at the local levels.

Let me make one other major point. We are now talking about redeploying national resources into the hands of public bodies. I agree this is necessary, but if I had to make a choice (which ought not be made) I would probably vote instead right now for money placed in the hands of the consumer of the ghetto or of Appalachia.

I think what is badly needed (whether through income maintenance programs, liberalized welfare programs or some other novel ideas that have been lately proposed) is to increase effective consumer demand and to get these consumers freely on the open market for housing and their other needs. A dollar spent on, and freely by, a citizen-consumer may well be better than a dollar spent through the mayor or the Governor of a depressed jurisdiction.

Finally: we should be talking more here about ultimate directions in which to move, than about fixed and final solutions. I think that we can begin right where we are now, to move in the direction which I have cited, by making certain immediate reforms, by consolidating present grants, by simplifying present grant structures, by trying to work toward single negotiations so that one community or one State comes to Washington but once a year with a total package of its applications.

We might even take out of the $15 billion presently available for Federal grants a third of that amount and experiment with comprehensive grants—shared revenues of some device—rather than waiting for the post-Vietnam period when our tax capacities may be more liberally available.

We can begin absorbing State and local costs. I would argue along with Dr. Ecker-Racz, that it is important that perhaps we nationalize