

Senator PROXMIRE. I am sure it cannot. I am not saying it will do everything. I am saying that one objective would be that it would provide a greater opportunity for States to raise their own money. The other would be to recognize that, because of the inequality of income and property in the various States, you would also have to have supplemental grants or sharing or something of the kind to provide primarily equalization.

Mr. MAXWELL. Well, that would be a pretty substantial lump of equalization.

Senator PROXMIRE. I understand.

Mr. MAXWELL. It would have a lot of equalization.

Senator PROXMIRE. As Dr. Ylvisaker said, we are not doing anything of these things now. He set up three objectives, an incentive system, an equalization system, and a support system, and he pointed out we are doing none of them.

Mr. MAXWELL. I don't agree with that.

Senator PROXMIRE. It seems to me if we zero in on one it would be better than a poor job on three.

Mr. YLVISAKER. We do a fair amount of equalization. Every grant program doesn't, and the ones that prevent us from doing more equalizing than we do are some of the very old grants that weren't built that way, but we do provide through our grant system a very appreciable amount of equalization.

Senator PROXMIRE. Dr. Penniman?

Miss PENNIMAN. I guess I start out by being very opposed to the tax credit system. I am opposed to it for two reasons. First, I don't think it is possible to restrict it to the income tax politically. If it were, I would have a little bit more enthusiasm for it.

Secondly, I am opposed to it because it really does nothing on this interstate competition problem, and this to me is a basic difficulty in the State tax systems. You cannot have one State attempting to go very far ahead of the others in tax levels without it becoming a major business issue. Wisconsin suffered for years from this, as you know.

Senator PROXMIRE. I recall well.

Miss PENNIMAN. Again and again and again we were pointed out with horror by all our own business people and by business people in Michigan, Illinois, Ohio, Indiana. This was the terrible State with an income tax, and with high taxes. Nobody looked at the quality of our services. They just looked at the tax system. And tax credit doesn't do anything to help this.

Senator PROXMIRE. I am not suggesting necessarily a tax credit. I am just saying some kind of an incentive to persuade States perhaps to use such a device.

Miss PENNIMAN. I am just saying that the tax credit I really don't feel meets this goal. I think the problem within the States is the differential ability to raise taxes and the differential needs within every one of our metropolitan areas.

We have, as I suggested earlier, by our shared taxes and our grants-in-aid both Federal and State have managed to fragment the metropolitan community in a fashion that simply makes the needy area over here and the tax surplus area over here, and until you bring these into some kind of balance, you are not going to be able to raise the kinds of