

annually must move into what are now white neighborhoods. If this does not happen, the ghetto will increase at present rates so that by 1972 or 1973, five of our major cities will be predominantly Negro, and by 1983, 20 to 25 of our major cities.

This gives you the glacial nature of the problem, and this is why I support you in saying that both internally and externally we are going to have security problems, because as this ghetto grows by that magnitude, the tensions will also grow.

What I am suggesting is more important than just redistributing national resources. It is that we begin formulating national policies over time that are shared in by local, State, and Federal governments and that are potent enough to deal with problems of this magnitude.

Representative GRIFFITHS. If you had your choice, would you support revenue sharing or a negative income tax?

Mr. YLVISAKER. I do not think these ought to be choices, Madam Chairman. I think both may be needed—the reciprocal of increasing consumer demand and also increasing public outlays is very much needed.

Representative GRIFFITHS. Of course unfortunately nobody is going to have a choice, I am afraid, as to which you are going to have, because, as I feel, that probably one of the biggest blocking forces in State governments is the legislature, so I feel that the national congress will look a long time before they will be willing to levy a tax and return it to a State legislature to spend as they see fit.

Mr. YLVISAKER. If I may respond again, on two things. I think that the bargaining power which the Federal Government may exercise through revenue sharing ought to be exploited. I think Dr. Ecker-Racz and others here would agree, from what I hear, that the full and equitable exercise of tax capacities ought to be a requirement for participation by State and local governments in any of these programs.

Second, I want to say in defense of the New Jersey Legislature that they passed all six measures which I proposed to them this last year, and I can only say nice things about them.

Representative GRIFFITHS. May I ask if they were given the right simply to add a tax as a surcharge to the present income tax, and the money be returned to them, would you support that?

Mr. YLVISAKER. I would support it for New Jersey, but I would want to ask some long questions as a professor looking at the entire Federal system.

Representative GRIFFITHS. What would you say, Miss Penniman?

Miss PENNIMAN. I would not, because again this does nothing for interstate tax competition and it seems to me this is much of the problem, that much of these things do not get out. It is part of the reason I would defend the State legislatures. They are working within some broad parameters of the whole taxing system of the 50 States, and even the legislatures which might wish to do it most are restricted. They are constantly badgered with this idea of how this State stands in relation to other States, and anything that does not get at this tax competition issue, and the only way I can see to do it and have freedom or flexibility with it is the shared tax. If you do not get at that, you are not solving their ability to act.

Representative GRIFFITHS. Mr. Maxwell?

Mr. MAXWELL. I would not favor it, Madam Chairman.

Representative GRIFFITHS. Mr. Ecker-Racz?