

program categories broader—if not completely block form, at least less specificity—within any given total. I do not want to appear to be suggesting that the present detailed grant system is ideal for 1975.

Going on from this, the best area for trying to deal with State-local problems by Federal aid within present and projected magnitudes, seems to me to be welfare. One would expect that with an economy of well over \$1 trillion income, the welfare need for 1975 would decline. We do not project that it will. We project bigger outlays. But in trying to deal with the problems of State and local governments, welfare is the chief function which State and local governments “on their own” will be least able to deal with adequately.

Another point I wish to throw out is that it seems to me that a lot can be said for reduction in Federal tax rates as a way of dealing with the problems that we associate with State and local governments. And my candidate is the corporation income tax, assuming that half is shifted to the consumer, the tax bears about as heavily on poor people as does the retail sales tax.

Finally, in making such projections as this I do not want to appear to assume that the alternative of even reduction in State and local tax rates is not better than some of the proposed increase in State and local expenditures. I am not arguing one point or another on this occasion. But one of the advantages, it would seem to me, of rising real income in a rich society is greater personal freedom, greater opportunity of people to make their decisions themselves, and in voluntary groups, rather than through the political process. Of course, politics must be used in some things, but necessity by no means extends to many activities so undertaken.

Therefore in dealing with human problems, which is what we are concerned with, tax reduction and relying upon the marketplace and voluntary associations seems to me in principle to have much greater promise, relative to growth in tax burdens, than may be implied in these projections.

Thank you.

(The prepared statement of Mr. Harriss follows:)

PREPARED STATEMENT OF C. LOWELL HARRISS

FISCAL OUTLOOK FOR STATE AND LOCAL GOVERNMENT TO 1975*

“Surprise” would not adequately describe my initial reaction when Dr. Watters first “pulled together” the many pieces of her Tax Foundation study on state-local finances. The figures for 1975, allowing for considerable quality improvement, showed an almost “comfortable” excess of dollar availability over dollar outlays. In the year or so since most calculations were completed, nothing has seemed to require material change in the overall conclusions.

SUMMARY: OVER-ALL FINANCES

Table 1 summarizes the findings. Tax and other revenue sources now provided by law (including Federal grants) will bring general revenues as shown as

*C. Lowell Harriss, Professor of Economics, Columbia University, and Economic Consultant, Tax Foundation, Inc., prepared for presentation to the Subcommittee on Fiscal Policy, Joint Economic Committee, U.S. Congress, August 1, 1967. For the most part this statement is a digest of Tax Foundation, Inc., *Fiscal Outlook for State and Local Government to 1975*, Government Finance Brief No. 7 (The Tax Foundation, 50 Rockefeller Plaza, New York City, 10020; 1966). The Brief itself is a summary of a study of 128 pages bearing the same title. Dr. Elsie M. Watters, Director of State-Local Research, was primarily responsible. The statement here contains a few of my own value judgments; they are not necessarily those of other members of the Tax Foundation staff nor, of course, of the Foundation.