see, obviously, given the problems of the cities, and so on, the need for much more Federal expenditures of one sort or another.

The way to deal with the problems of the poor, we believe, is through specific grants, poverty programs that are effective: educational programs, that take account of the children of the poor. And these can be and are much more effective. And this is in the direction, not the general support, but the categorical grants, that we believe the Federal Government should take. So that this would be one way of perhaps even moving by increasing categorical aid beyond what present legislation calls for.

Representative REUSS. Mr. Netzer?

Mr. NETZER. I think most economists in the field of public finance would agree that the corporation income tax is a monstrosity, and it would be better if it had never been invented. No one knows what its incidence is. This is true not only of the corporation income tax, but in general the use of business as an intermediary to collect taxes measured by the volume of business activity, whether profits or gross receipts or what have you. All governments do this because business is a handy tax collector. But in general business taxes are bad ideas, in theory, at any rate—I think you can say that there are a large number of ill effects logically to be expected from business taxation. That is fine, in theory. But we have these taxes now. And here we are with a 48 percent corporate tax rate that only recently was slightly higher than this.

We have been living with the tax for a quite a while. Most of the obnoxious features of the tax already have been worked out. The adjustments have occurred. It seems to me that, in this context, reduction of this tax—or indeed of any other Federal tax, if you have any money to give away after Vietnam, in preference to expanding Federal expenditures, or increasing Federal grants to the States, whether conditional grants or general-purpose grants, is a very bad idea. As I said before, the prospects in that case might be of raising State and local tax rates, and reducing Federal tax rates.

In one case you are reducing rates that have already been adjusted to, however bad the tax is in theory. And in the other case you are increasing the rate of taxes, some of which are pretty bad ones.

Representative GRIFFITHS. May I ask now, if you gave a corporation income tax reduction right now—and after all, there will be a tax bill coming up, and we will use General Motors as an example. General Motors is in the business of negotiating a new labor contract. Would the consumer get the reduction, or would General Motors get the reduction, or would the workers?

Mr. HARRISS. In the present context I think the workers would get probably a very large portion of it.

Representative GRIFFITHS. And don't you think that there has come a moment when you can logically say, does the general population of the United States owe these people that much?

Mr. HARRISS. I certainly agree with the implication of your question. These employees are relatively well paid now.

Representative GRIFFITHS. That here is about $4.58 an hour, I believe; it is $4.38 or $4.58. They are retiring with remarkable pensions, whereas a private professional man has no tax provision to acquire this at all. So that it seems to me that you can logically say,