

than GNP. So that somehow or another we feel that there ought to be more responsibility to meet this kind of thing.

You were right in your first point that this assumed some kind of tax reduction; that is, the receipts available to the Federal Government would be less.

We believe that this is important. A general assistance grant would make the day for a general tax reduction recede far into the future. But part of the opposition here is directly on the issue of the current high Federal tax rates. And since we believe that an income tax is potentially very equitable, very responsive, is something that all States should have; and since we further believe that the high present tax rate in the Federal personal income tax systems is a serious deterrent to many State and local governments, we want to see a reduction in the Federal. Having a general assistance grant makes it less and less likely that you will have a reduction or as much reduction to make this workable.

The last issue, which I think perhaps is the one that is most important, the advantage theoretically of a general assistance grant is that it will increase the equalization among the poorer States as against the rich States.

The position in the paper is that, if you are interested in the poor, it is not areas, it is people, and the poorest—the States that have the most serious problems of the poor happen to be the richest States, in some ways. We have Harlem in New York, Chicago in Illinois, Watts in California, and those are three of the richest States in the country. And Milwaukee in Wisconsin. These States, we feel, that if they had more use of their own income tax base to meet their own problems, together with the categorical aids to meet problems of poverty, they would do a much better job than having their tax money go to other States which theoretically are poor, but in which the money would not be used to meet the problems of the poor.

Representative REUSS. Of course, the CED's income tax credit—and I support it—wouldn't help Wisconsin or some of the other States you mentioned which are already at the top of the State income tax heap. They wouldn't get any more revenue. Their taxpayers would get a Federal tax reduction, which I certainly don't oppose.

Mr. KEGAN. But which would help us; which would help the citizens of Wisconsin—plus one—

Representative REUSS. How?

Mr. KEGAN. There is general poverty—

Representative REUSS. It would make individual taxpayers happy and give them more disposable income.

Mr. KEGAN. Exactly.

And there is a problem here of public versus private, some balance.

Representative REUSS. But this doesn't help on the public problem. It enables them to buy bigger cars, but this doesn't rebuild slums.

Mr. KEGAN. I think, as Professor Harriss was saying that some of these problems, the problems of education in the Job Corps, are effectively being done today by Litton Industries, or by IBM. Perhaps the housing problem, something like a Percy bill or a Kennedy bill, where you enlist the private aid and private support to meet what initially we think of as purely public problems.

So that there isn't this wall between the public and private. To the extent that the private is free to make some of these decisions, it seems