to me you might meet some of the problems that the public has to meet simply because the private doesn't have the funds to do so.

There is also indirectly the problem, as you stated, of the tax competition. Wisconsin would not feel as badly as it does today about this issue. And they would be able to attract more industry, or at least the claims that this is a serious deterrent would not be as strong.

Mr. NETZER. I would like to say something about this thing.

Take the specific form of tax credit proposed by the Advisory Committee on Intergovernmental Relations.

Mr. KEGAN. Which is not the CED.

Mr. NETZER. Which is not that; but the CED left more options open.

Mr. KEGAN. But the staff has operated against the Advisory Commission.

Mr. NETZER. Just take this one where you have a 40-percent——

Representative REUSS. Yes, although you can't saddle it on CED.

Mr. KEGAN. Right.

Mr. NETZER. A 40-percent credit as an alternative to present deductibility; that is, the individual taxpayer either can credit 40 percent, or he can use the deduction, which means that if he is in the 40-percent tax bracket or higher, he uses the deduction.

Now, in New York State this would mean that for all practical purposes, until an individual taxpayer has income of pretty close to $10,000, the advantages of the credit would be very small in dollar amount. They would have a credit, but it would be very small. Above incomes of $30,000-odd it would again start to disappear, because of the deductibility feature.

So in effect what we would be saying is that some savings in Federal taxes by taxpayers with family incomes between $10,000 and $40,000, would make for a willingness to increase State taxes. Because those people would have lower Federal tax burdens, you could sell an increase in State taxes within that State. I think this is just the most unlikely kind of political judgment I can imagine.

Representative REUSS. A judgment which I think the staff of CED agrees on.

Mr. KEGAN. Right.

Representative REUSS. Thank you very much, Madam Chairman.

Representative GRIFFITHS. I enjoy having you comment.

All projections assume that Federal aid to States and cities will at least double by 1975.

Should any of this increase be in a different form, now? For instance, family allowance, or negative income tax.

Mr. HARRISS. I indicated a personal preference to see more of the total channeled into welfare as broadly conceived. And may I just comment on a point you just made, the attempt to make the social security structure somewhat more rational, for example, in incentives. I could not agree more that our system of essentially a hundred percent tax on any person on welfare who gets a job is stupid. It is ridiculous. And yet it has gone on year after year after year. "Government" is not all-wise.

One "moral" can be cited: One cannot assume that "the Government" will act as one wants or dreams, when framing laws, and carrying them out. Let us look at the reality, at how governmental programs do actually operate.