

Coming back to your basic question, I would say more in welfare. But less in what? To specify invites antagonism from advocates of the health programs or those in education. My qualifications do not permit me to meet each on details. But personally I would concentrate more on welfare, more, that is, of the growing increase.

Representative GRIFFITHS. What would you do, Mr. Kegan? Do you think there should be any changes?

Mr. KEGAN. I think that education is clearly—and the problems of poverty, which raise some problems not governed by present welfare schemes would have very high priority—I am now talking about my own personal schemes, since CED hasn't gone into this yet. CED has under study the negative income tax, an income maintenance plan, and hasn't reached any conclusions there.

But I would suspect that if a case could be made, that this would save a lot of bureaucracy, and give people a much clearer choice about the spending of their incomes. I would personally opt for this as a way of overcoming a lot of the fragmentation and problems associated with the whole system.

But this is a purely personal choice.

Mr. NETZER. I think on this question we are in substantial agreement here. It seems to me that you can demonstrate a truly national interest in programs connected with education, with poverty—including both the traditional welfare programs and the health services of the poor, and so on—since, because of interstate migration, the benefits from such services, spill over the boundaries of any given city or State. And this makes a very strong claim for more Federal financing.

Of course, if you increase the Federal share of a program, to a very high level, it seems to me that you are raising a basic question of whether the Federal Government ought not to be running the program entirely, that there are a lot of administrative disadvantages to a system in which the Federal Government or any level of government is paying the great bulk of the cost and somebody else is carrying it on. I think, for instance, in the employment security program, you can argue that there have been some real administrative disadvantages to the system of 100 percent Federal financing and State operation. But I would say if there is going to be more Federal money in either intergovernmental arrangements, or in direct expenditure, it should be focused on this area, where there is a demonstrated national interest.

Now, less of what? In an environment in which many large cities, the urban States, and some of the poorer States as well, are saddled with the very substantial costs for welfare activities, compensatory education, and so on, such governments are going to try to get every penny they can get from the Federal Government, under any pretext whatsoever. And some of the pretexts, I think, are just plain ridiculous.

For example, this is a small program. But can a self-respecting city government really say that it can't afford to pay the salaries of building inspectors?

This is a trivial expense item for almost any city in the United States. We have a Federal aid program for that. I can't demonstrate any real national interest—and I live in New York City, and I use the transit system all the time—in the Federal program of aid to mass transportation. This is a regional problem. The regions have the