

I think it is worth reviewing for just a moment the criteria or the purposes that ought to be served by this or other plans. The important thing, by the way, is to do something to provide a broad gaged grant, free of onerous strings, to the States. The particular form of it is not the important thing, but the principle is. Whether you call it tax sharing or general assistance or unconditional grants or bloc grants, the main purposes we are trying to serve are six:

One, to build up the vitality, the efficiency, and the fiscal independence of State-local governments.

Second, to relieve immediate pressures on State-local treasuries and even more important, make their revenues somewhat more responsive to economic growth.

Third, to increase the overall progressivity of our Federal-State-local tax systems.

Fourth, to reduce economic inequalities and fiscal disparities among the States.

Fifth, to stimulate or at least not discourage State and local tax efforts.

And sixth, to insure that the plight of local and especially urban governments would be given full weight.

We will be covering in the course of our comments these six criteria.

In a very basic sense, the case for shared taxes really begins with the conviction that strong and financially viable States are essential to a healthy federalism, and more than that, they are essential to optimal performance of public services, Federal, State, and local.

Now, in part, I suppose, this is just a simple expression of the traditional faith in pluralism and decentralization, diversity and innovation and experimentation. For people who lack that faith there can be little attraction in revenue sharing or for that matter in other instruments that rely heavily on local discretion and decision. In other words, if you don't believe in the States there is no point in talking about the things you are talking about in these hearings. I take it that it is an underlying faith in federalism which we use as a point of departure here.

But, quite apart from the philosophic virtues of federalism, we all have a very direct stake in the financial health of State-local government, for the simple reason that they do perform the bulk of essential civilian services in this country. Partly, they do so as service stations for the Federal Government, and the grant-in-aid programs, it seems to me, typify that.

But what people tend to forget is that there are a great many seemingly prosaic or humdrum services provided by State-local governments on their own account, with little or no Federal help, that form an integral part of the good and great society we seek. Events of the past couple of weeks should remind us that police protection and law enforcement, sanitation, recreation facilities, street maintenance and lighting, things that together with housing and schooling spell the difference between a decent and a squalid environment, between a respectable neighborhood and an explosive ghetto are cases in point. They are handled at the local level, and we neglect these at our peril. This is one of the reasons why plans like revenue sharing and other plans for general support of the State public purse are so terribly important.