

of per capita income—such as between California and New York, on the one hand, and New Jersey and Illinois on the other, or the contrast between such closely positioned States as Wisconsin (a high-tax State) and Indiana (a low-tax State). Such inequities are intensified by tax sharing and are only compounded further when we allow for the disparities in refunds that are called for in some of the tax-sharing plans.

For example, in the Pechman plan, Texas would receive back from the Federal Government \$1.40 for every dollar it contributes. But in Texas there are no taxes at all on personal incomes or on corporation incomes. If these refunds can be thought of, for the moment, as negative taxes, their effect is to give bonuses to the taxpayers of Texas and similar States, at the expense, of course, of some of the more responsible States such as Oregon, California, Wisconsin, and New York. There is a strange perversion of justice here, that provides rewards for the sinners and punishment for the good and the upright.

Nor is there anything efficient about the way in which funds are to be spent under tax sharing. Most tax-sharing plans would allocate funds so that more, relative to contributions, would go to the poor States than to the rich ones. The idea seems to be that this scheme would help smooth out the distressing differences in public services observable around the country. And underlying this idea, in turn, is the assumption that these differences in public services stem from differences in financial capability. Analysis of the data shows that this underlying assumption is false.

For example—and this is just an example, and it can be demonstrated, as I have, statistically—Wisconsin is a slightly poorer State than Indiana and a slightly richer one than New Hampshire, but its taxes are materially higher than either one, and in general it spends substantially more, per capita, on public welfare, health and hospitals, parks and recreational areas, and education. Generally speaking, the States differ much more in the degrees of social responsibility that they exhibit than they do in per capita income. Distributing money to them, with no strings attached, would make about as much sense as giving every 10-year-old boy in the United States a left-handed catcher's mitt. It is quite possible to predict that some large proportion of the catcher's mitts, and some large proportion of the tax refunds, will be wasted. The States differ not only in their conscientiousness in meeting social obligations, but in their administrative skills and in their basic needs. And concerning the latter—that is, the needs—average, per capita income is a rather poor indicator. Some of the most explosive problems, as we all know, of poverty reside in the big cities in the richer States.

New Hampshire boasts in its current advertising that it has neither an income nor a sales tax. Will it use its refunds received through tax sharing to strengthen its inadequate public services, or in further efforts to attract the industry that it believes it so sorely requires? There is in fact no way of knowing, or of insuring, how tax refunds will be used. It seems reasonable to suppose, however, that States will run true to form, and that in the more conscientious ones social services will be further improved, while in the least conscientious ones there will be some favor for vested interests, some waste, and quite possibly some tax reductions. In short, it is quite possible that tax