of channeling resources to the States will be more effective in helping the poor, this is not something that can be determined statistically, quantitatively, mathematically. It depends heavily on one's assumptions. For example, Mr. Stein notes that his comparison was based on the assumption that there was no tax effort requirement in the tax-sharing arrangement. If there were, much of his argument falls to the ground.

But even putting that aside, and looking both at the source of the revenue shares (primarily funds that otherwise would have gone into income tax reduction) and the equalizing distribution of those funds (which, unlike tax credits, would channel an extra share of funds into States that have low levels of services but high levels of tax effort on the average), my conclusion is that we would feed more to public services through the tax-sharing plan than the income tax credit plan and hence do more for the lower income groups.

Now, I also want to note I am not going to be driven to the position of opposing tax credits. I think they are a splendid instrument. The ideal system would have both tax sharing and tax credits, and either one would be a major advance over our present position in the Federal-State relationship.

I happen to think that Federal sharing has certain marginal advantages, but either plan, as I say, would meet many of the objectives that we have all, I believe, accepted at this table.

Finally, I don't want to be driven into the position that water doesn't seek its own level. I really believe that water seeks its own level.

Mr. PECHMAN. I would like to make a few comments.

First, I regret that Mr. Ulmer didn't have a chance to revise the third paragraph of his statement in which he quotes the CED and the Tax Foundation. I think I proved rather conclusively that both those projections are already out of date.

Representative GRIFFITHS. They admitted this yesterday.

Mr. PECHMAN. Second, on the question of who gets what under revenue sharing, let me take the example that Mr. Ulmer himself has on page 2 with respect to Texas. He is horrified that Texas would receive back from the Federal Government $1.40 for every $1 it contributes.

Unfortunately, Mr. Ulmer did not mention a few other facts. One is that Texas has a lower per capita income than the average in the country. The U.S. average, according to the Census Bureau for the year 1964–65 was $2,566. The average for Texas was $2,188. Everyone will agree that the Federal grant system intends to redistribute income to the poorer States. For that reason Texas and every State with income below the average, should certainly get relatively more than the richer States. Incidentally, the Federal grants system has not been greatly equalizing; it has become slightly more equalizing in the recent past. There is nothing wrong with Texas getting more than the richer States.

Third, with respect to the point that the poorer States are not making revenue effort, let me take Texas again since that has been raised. I assume that nobody is going to accuse me of being a defender of Texas for personal reasons. Texas, with a per capita income of $2,188, has general revenue per $1,000 of personal income of $150. In other words, its taxes plus grants are 15 percent of its personal income.