Of this, about $23 are Federal grants so that it taxes 13 percent of its income.

Delaware, the highest income State in the Union, $3,460, after you take out Federal grants, taxes itself about 12 percent. In fact, if you take all 10 States with the highest per capita income, they tax themselves about 12 percent of their personal income.

To be sure, there are 50 States and there are a lot of differences, but on the whole, I don't think that one can charge that the poor States are doing badly and the rich States are doing well, and that, therefore, we should not help the poorer States.

I also want to call your attention to the basic assumption underlying Mr. Stein's very cute analysis. The assumption is that the credit will, in fact, result in an increase in State-local government expenditures in the ratio of $5 for every dollar to the credit.

I believe that he left out the last scene in some of his little scenarios. The last scene would be the State and local lobbyists. When the Federal tax credit is enacted, the lobbyist will try to prevent the use of the credit in those States that already have income taxes, to increase tax rates by the amount of the credit. Consequently, you are left with the judgment as to what will happen to the majority of the States that already have income taxes. Will they, in fact, pick up the full credit by increasing tax rates? I doubt it very much.

As Professor Heller said, we are both in favor of a tax credit, but let it be said that, as far as effectiveness of outlays on the part of State-local governments, I believe that in the short or in the long run the increase in expenditures will be larger under the grants.

Mr. Stein also said he is helping poor people and we are helping poor States. Let me give you some figures. Delaware, the richest State has a per capita income of $3,460. Mississippi, the poorest State has a per capita income of $1,438. In other words, Delaware has about 2½ times as much income as Mississippi. A proportional income tax without exemptions or deductions would yield $144 in Mississippi and $346 in Delaware. In addition, you ought to discount that for the fact that you should have exemptions and some deductions for unusual expenses.

My guess is that, with a 10-percent rate and some exemptions, you would wind up per capita, say at about $100 for Mississippi and $400 in Delaware.

In other words, the richer State, because it has a high per capita income, will simply have many, many more resources to take care of its poor. The poorer States will have much fewer resources to take care of its poor; and by definition, they are poorer because they have a larger preponderance of people in the lower income brackets. I cannot understand Mr. Stein's omitting this important point. If these income distributions were the same, then he would be correct. But in fact the reasons why the per capita income differs so much is that there are relatively more poor people in Mississippi; and by making the same per capita grant in all States, we would help relatively more poor people per dollar of grants in Mississippi than in Delaware. Thank you.

Representative GRIFFITHS. Mr. Stein?

Mr. STEIN. Well, with respect to Mr. Ulmer's position, there is part of it with which I agree. I don't myself really think that projecting "needs" really tells us very much about what the problem is ahead.