I don't think that the term "needs" has any definable meaning, and all we are really talking about is whether we think it would be desirable to devote a larger proportion of the national resources to the provisions of public services, especially State and local public services, than we have been doing or we are likely to do without one of these systems. That is, would we like to increase the proportion of the national income which is devoted to these purposes and would we like to take some steps to achieve that? I think this question cannot be answered by projections of past trends. The question is: Are we satisfied with where we are or where we are likely to be going and that is not a statistical question? I think many people who look around the country as it is, are dissatisfied and would like to tilt the scales of decisionmaking in the direction of more provision of public services by the States and localities, which is not quite the same as more provision of public services in total because I think that one thing many people are interested in, and the CED is interested in, is to increase the State and local share in the provision of these services as compared with the Federal share.

But I think the point at which I do agree with Mr. Ulmer's argument is that we are interested in what the States will do with the money and with the behavior of the States and are not satisfied with what we expect will be the behavior if they are simply endowed with certain lumps of money.

Now, I think the discussion that we have just had with Messrs. Heller and Pechman is very relevant to this. I think the main point is finally coming out; that is, what do you expect will be done with this money? It is not a question of to which State will it go but what do we expect will become of it after it goes there.

In what proportions do you think it will be used to increase public services, in what proportion to reduce taxes, and in what proportions which taxes?

Now, we evidently differ about this. I think we could discuss the reasons for our difference.

The point that Mr. Pechman makes about the relative treatment of poorer people and poorer States is more complicated than I follow at the moment, but I would like to explain my simple-minded way of looking at it.

Suppose we take the case of a very poor State like Mississippi and we have two alternative plans, one of which would inject $100 million into the State of Mississippi and the other of which would inject $150 million into the State of Mississippi. The $150 million injected into the State of Mississippi would all be used for reduction of taxes in the State of Mississippi across the board; the $100 million injected into the State of Mississippi would all be used for the provision of Mississippi public services across the board. Which of these two systems would do more for the poor people?

I would think that the system which gave them $100 million, which resulted in $100 million for public services, would do more for the poor people.

We have some evidence, at least for the country as a whole, that poor people—defined as people with incomes under $2,000—get three or four times as large a share of a billion dollars of State and local expenditures as they do of a billion dollars of State and local tax reduction, and it is essentially on the basis of that observation that