

I think a system which is tilted in the direction of increasing expenditures does far more for the poor people.

Of course these are quantitative matters. If the bloc grants plan were such as to give Mississippi five times as much as they would get under some other plan it might be better for the poor people of Mississippi.

But I think we are really concerned with making judgments about some quantities, and quantitative effects with respect to expenditures and receipts and revenues, that is, the behavior of the States after these systems are put into effect. I conclude this kind of rambling reply with one remark. I am glad that Walter Heller has joined the rest of us who believe that water seeks its own level.

Mr. STEIN. He does say, or the Heller-Pechman paper says in its analysis of Federal income tax credit one of their objections is that the revenue, under the revenue-sharing plan, its entire proceeds would flow into State and local treasuries while a good part of the benefits of the tax credit would initially accrue directly to the taxpayers rather than to their governments. Well, that is just the kind of analysis I am talking about, an analysis which stops with what happens initially. I think what happens initially is not what we are concerned with. We are concerned with what happens finally.

Representative GRIFFITHS. Thank you.

Mr. Rumsfeld?

Representative RUMSFELD. Gentlemen, I have been very interested in this discussion, and certainly in the presentations.

Although I have a great many questions on the very fine presentations by Dr. Heller, Mr. Pechman, and Mr. Stein, I think it is important to pursue this last presentation, because I had some trouble with it, and it may be because of some underlying assumptions in it, and I would be curious to see if we could not clarify them.

Mr. Ulmer, your statement initially begins with the statement that the States do not face a financial crisis. Is this essentially correct? Didn't you say, for example, even such things as the rat control problem could be handled by the States and the municipalities?

Mr. ULMER. No, I do not think—I certainly did not mean that it could be handled by the State and the local authorities, or necessarily had to on the basis of their own resources. Is that the way you understood me?

Representative RUMSFELD. That was my recollection. You said the States are capable of dealing with these things; you indicated there was not a financial crisis at the State and local level.

Mr. ULMER. I should like to see the Federal Government aid in the extermination of rats, aid in slum clearance, and urban development, and model cities, and so on.

Representative RUMSFELD. I get that later in your statement. But in your opening remarks you say it is very difficult for taxpayers to say that the States face a financial crisis, and you say your own study makes it clear beyond a doubt that most of the States have ample latitude at present for expanding their revenue.

Mr. ULMER. Oh, yes.

Representative RUMSFELD. This is the premise you begin with, is it not?

Mr. ULMER. Well, there are two points on which it seemed to me that the advocates of tax sharing had retreated from positions that