

they formerly held. Mr. Heller here agreed that most, or many, of these States do have ample latitude for increasing their taxes. As I pointed out, Mr. Pechman's beloved State of Texas, to take one example, has no income tax and has a tax effort that ranks well below the average tax effort, which was my whole point.

And you see in the case of the financial crisis, I here was reiterating, really, a work done by two organizations, one, Mr. Stein's Committee for Economic Development, and the other the Tax Foundation, in which it was shown that revenue on the basis of existing taxes was due to expand over the next 10 years roughly by more, considerably more, than would the required expenditures on the basis of the present scope and quality of public services, the present scope and quality.

Now, just to complete the picture, as I remember it, the CED showed a 23-percent surplus that would be available for improving scope and quality.

Representative RUMSFELD. I appreciate that. But your paper in the first two paragraphs made these statements, and it seems to me that, in my 5 years here in the Congress, I have gathered the impression that a great deal of the pressure, as you suggest, for tax sharing is to relieve a financial crisis, and a great deal of the pressure for Federal programs is a feeling that the States and local governments have not been capable, and if there is a basic difference of opinion here that your paper is premised on, I think it is important to bring it out.

Mr. ULMER. Capability and willingness are two different things.

Representative RUMSFELD. This comes to my second question.

Mr. ULMER. Yes.

Representative RUMSFELD. Let us take your second assumption. I get the impression from page 3 of your paper that—well, let me ask it rather than interpreting it.

Do you feel that the Federal system should be strengthened or are you of the view that really it is a bit of an anachronism, the States and local governments thinking they can do these things?

Mr. ULMER. Well, I am not sure what you mean exactly by these things. But there are certainly things that must be done at the local level, and some things that must be done at the State level. I do not think anyone questions this.

However, I do think that it is a very serious matter—

Representative RUMSFELD. What kind of things should be done at the local level?

Mr. ULMER. Police protection, as one example.

Representative RUMSFELD. Of course, we have a bill up this week in the House to provide Federal funds for policemen.

Mr. ULMER. Yes, I realize that, and I think it is a good bill.

Nonetheless, I think that the general work of police protection is best handled on a local basis; that the cop on the beat does know the thieves in the neighborhood, or the potential ones.

Representative RUMSFELD. Let me back around it, then.

Generally, you feel that the Federal system is working pretty well, and you do not think there is any need to try to strengthen it through this kind of a mechanism?

Mr. ULMER. When you say strengthen the Federal system now, you mean strengthen the States, I believe?

Representative RUMSFELD. State and local government. I am thinking of a whole blend of government levels when we are thinking of the State and local system.