

Do you have any objection to such an encrustation on the pristine Heller-Pechman proposal?

Mr. PECHMAN. I do not regard it as an encrustation or unnecessary.

My profession is economics, and not political science. You know more about it than I do. I have been told by prominent political scientists that an effective time to get the States and local governments to act is when you introduce new money into the system, that is when they really plan. When they are operating on past resources, as Mrs. Griffiths has pointed out, it is awfully difficult to change.

So there is a lot to be said for Mr. Reuss' approach. When the Federal Government introduces a generous revenue-sharing plan, it might require considerably much more planning on the part of the States and local governments to achieve national objectives than they have done in the past.

While I do not know about the details, I have not looked at those very carefully, I would personally like to see the congressional committees responsible for this area, try to write in some general instructions of this sort regarding planning. But such language should not interfere with the State-local prerogatives in deciding where the funds will go.

Representative REUSS. Thank you very much, Madam Chairman.

Representative GRIFFITHS. Thank you.

My advice would be to accept the Reuss plan right now. But I will give you some additional comfort.

Senator Percy?

Senator PERCY. Madam Chairman, I am very sorry not to have been here to hear the testimony, but we had a Banking and Currency Committee meeting I had to attend.

I must say that I start out with a prejudice. I have been brainwashed by Mr. Pechman over a period of years. We have appeared together on forums, and I took a strong position in favor of the principle of tax sharing some time ago before the American Banker's Association. In addition, I am a proud sponsor of Senator Baker's bill.

As a believer in this principle I have had many groups come to me and argue against it, and it is on their arguments that I now ask for your enlightenment.

For instance, members of organized labor have indicated that this would just enable the State legislature to do even less than they are doing now; that they would not respond to human needs, since they have not been responsive in the past.

How would you expect these States to spend additional funds provided through tax sharing, Mr. Pechman?

Mr. PECHMAN. Well, as we say in our statement, over 60 percent of the funds that State governments now spend annually go for education, health, and welfare in any case.

On the basis of marginal figures, the figures tracing the additional funds they have received in the last 10 years, it is clear they spend their money for the functions we would want them to spend their money on, and this is, incidentally, true of "bad" States as well as "good" States.

The variation in the distribution of State expenditures by type of expenditures is not very great. Education gets a very healthy share of State expenditures throughout the country, with few exceptions.