

with the negative income tax. It would affect every taxpayer, according to Prof. James Tobin's proposal, up to \$7,500. That is, if that was the cutoff point, everybody below that would receive a negative income tax and everybody above that would pay positive income taxes. This would involve a complete overhaul of our tax system, which we have now learned to live with, and I suggest that living with a tax system—that is, having one that people are familiar with—is really quite an asset.

Another welfare proposal that has been made and has wide support is a Canadian-model family allowance plan. In addition, the Advisory Council on Public Welfare, Department of HEW, in June of 1966, put out a report which not many people have talked about, which I think is really quite important, entitled: "Having the Power, We Have the Duty." The council proposes that Congress, in effect, nationalize public welfare programs by establishing national standards of eligibility and benefit levels. This proposal comes more into the realm of things that can be done, juxtaposed to the negative income tax, let us say.

A third major option is, of course, tax reduction. With the private sector squeezed by the war, many people feel that when the war is over, tax reduction is going to be needed. Prof. Lowell Harris, who testified at these hearings Tuesday, stressed reducing corporate income taxes. He pointed out that every 1-percent reduction in the current rate would cost a billion dollars. This would stimulate the private sector in his view. Others want other kinds of tax reductions.

These three alternatives by no means exhaust the list. Others are more antipoverty spending, expanded regional economic development programs on the order of the Appalachian program, and increased foreign aid. Another option which, after our commitments have been scaled down in Vietnam, we may want to give major emphasis to is antimissile missiles. Now, that is a very expensive item. It would absorb substantial resources. I think Secretary McNamara estimates something like \$8 or \$10 billion a year.

Mr. Lawrence Kegan, of the CED, testifying on Tuesday, talked about increasing existing categorical aids, which he said he personally favored. He mentioned education as important, and obviously the Congress could put tremendous resources into schools, judging by the demands of many State education departments and the people I have talked to in the States.

These various alternatives can, of course, be blended and combined in any number of ways and it is ultimately the President and the Congress who will have to deal with these resource allocation issues. The President's 1966 Economic Report set up an interagency planning group to do this. I would suggest that perhaps hearings like this before the Joint Economic Committee are the congressional counterpart of the kind of considerations now going on in the executive branch and in the White House.

My particular bent on this subject is to lay emphasis on not just the economics of these choices but the politics and the administrative considerations, and I would like to stress two points.

First of all, as we look at the post-Vietnam fiscal policy mix questions it is important that we focus on broad and understandable policy goals. Growing out of the New Deal there has been a tendency to