

fragmentize the Federal-aid system. I quote Budget Director Schultze in the Muskie subcommittee hearings. He referred to the fact that there are now 162 major Federal-aid programs and 399 separate Federal-aid authorizations. Of the total, 91 are formula grants. There are 226 project grants. I agree with Lyle Fitch that the evolution of this system has created problems at the State and local level which revenue sharing, I think, is uniquely designed to deal with by changing the emphasis in the future in the way in which we provide Federal aid to State and local governments.

Budget Director Schultze said that—

The complexity and fragmentation of Federal grant programs in and of itself creates major problems of administration information flow for both the Federal and local governments and inhibits the development of a unified approach to the solution of community problems.

I think coming from the Budget Director this is important testimony. It seems to me in this context that it is desirable that we move away from this type of aid and focus instead on the development of new and broader Federal-aid instruments.

Revenue sharing and the several major domestic policy alternatives already mentioned fulfill this criteria in terms of being the type of big and clear issues on which people in a free society can make major decisions and really understand what they are doing. The essential point is that revenue sharing, a major core city rehabilitation program, family allowances, all can be levers for reforming our total grant-in-aid system because at the same time that they meet major needs, they also help to simplify and broaden the basis on which the Federal Government provides financial aid to State and local governments.

This is not to say that internal grant-in-aid reforms are not important, but rather that we must go beyond the steps which are being considered now in the administration.

The second point I would stress is that post-Vietnam fiscal policy planning should look at the administrative questions within the various alternatives. Fiscal policy planning must not become the sole province of the economist. The how-to-do-it questions of policy implementation are increasingly becoming as important as the basic questions of what we are going to do.

I want to close with an illustration. It may be that we will ultimately want to consider restructuring the model cities program. It involves certain rigidities, in the way in which planning is required and the fact that the competition is based on planning, and also in the way in which the Federal Government puts up 80 percent of the matching share of Federal-aid programs within the model cities area. There may be wisdom ultimately, and everyone is talking now about the problems of the cities, to looking at core city problems in terms of need, not in terms of good planning, and devising formulas, which now can be done, to recognize factors like deteriorated housing and poverty incidence and high proportions of low-income families in order to provide aid to cities on a broader basis. Perhaps we should also bring the States into this process, where the States are willing to contribute a part of the cost. This is the kind of political factors, as we look at the possibilities and options, that I think would be wise to consider now.

Representative GRIFFITHS. Thank you very much, Mr. Nathan. Mr. Somers?