

its goals the kind of reforms suggested by the CED's two studies: "Modernizing Local Government" and "Modernizing State Government," and after these programs had been worked over by regional conferences of Governors and approved by them and worked over and approved by the Advisory Commission on Intergovernmental Relations, the approved States then would be eligible for funding for a 3-year period, without any strings. In other words, if the State reneged on its fine promises, it could get away with it but, of course, this would be taken into account if the program were sought to be renewed.

In describing my bill, you suggest that it sets forth one technique which, although it might be improved upon, at least indicates that the problem is not insuperable, to quote your language. I would welcome hearing from you any proposals for improving the concept that you may have.

Mr. FITCH. I do not have any specific proposals right now, Mr. Reuss, and indeed the intention of my comments was to suggest that with more people interested in the subject, further discussion might turn up some techniques which would be an improvement. But, I certainly want to congratulate you on having gone as far as you have in working out an administrative technique which is the best thing that has come down the road to date.

Mr. REUSS. I appreciate it.

I would like to ask Mr. Nathan to address himself to the across-the-board tax credit proposal advanced by Mr. Somers and, I gather by Mr. Break, though I did not have the opportunity to hear Mr. Break. My own difficulty with an across-the-board tax credit proposal is that it seems to me to introduce more regressivity into the tax structure. That is, we would be cutting down on the amount of the Federal progressive income tax and probably increasing on the amount of State-local regressive sales and property taxes. It is one thing to adopt for the CED's type of income tax credit which would have the effect of inducing States to adopt an income tax if they do not already have it, but when you apply it across the board, I see this difficulty with regressivity and, heaven knows, if we build more regressivism into our tax structure, we are going to fulfill the gloomy prophecies of all the dismal economic philosophers who have talked about oversaving.

Perhaps you could comment on this, Mr. Nathan, and then Mr. Somers and Mr. Break would care to come back to this.

Mr. NATHAN. I think I would rather leave it to Mr. Somers to say whether he agrees on the point about regressivity. You simply would not be doing what the CED does in pressing the States to adopt State income taxes.

I would make a general comment about Mr. Somers' ideas on the tax credit. One is, I fail to see how it would be possible to provide instant tax credits as he suggests. I would like him to explain that to me. Does that mean that the taxpayer at the beginning of the year would figure out how much he is going to pay in State and local taxes—property, sales, and income—and then file for a payment every month? If it does, I myself would be against it. I have enough trouble filing once a year.

Another point I would make is, I do not think that when you get down to where Mr. Somers is that it makes much difference whether you have tax sharing or a tax credit. Your scheme is simply a scheme