

to water pollution and the fundamental concept of the federal system in the area of tax-exemption. And I said in my statement there if the courts do not knock it out, because I question it myself, whether there is not a constitutional question—but who knows what the courts will do?

Mr. DORN. Thank you, Mr. Macdonald.

Mr. Hammerschmidt, I believe at the moment you have two Governors Rockefeller. So we are delighted to have you question the Governor.

Mr. HAMMERSCHMIDT. Governor, I join others in welcoming you to the committee today. I am certainly pleased with the tone of your statement, but certainly not surprised; because as our acting Chairman, Mr. Dorn, says, I have a genuine pleasure of working with another Governor Rockefeller.

Governor ROCKEFELLER. Thank you, sir.

Mr. HAMMERSCHMIDT. And I think this same ideology is reflected here. And that is, your statement reveals your feeling that constructive legislation can be written to accelerate this much needed program, and yet I know that you speak out in what I consider very wisely in protecting a certain philosophy of government, as it pertains to possible physical encroachment on the exemptions to municipalities and other entities of government, and also to the user charge which would certainly inhibit the flexibility of local government.

Governor ROCKEFELLER. That is right.

Mr. HAMMERSCHMIDT. And I congratulate you for your very helpful testimony here this morning.

Governor ROCKEFELLER. Thank you very much.

Mr. DORN. Thank you, Mr. Hammerschmidt.

The Chair would like to ask the distinguished Governor of New York if his opposition to the taxation of State municipal bonds here today, if that also includes municipal bonds for industrial expansion?

Governor ROCKEFELLER. As long as bonds are for a clearly stated governmental purpose or objective, there is no reason to remove the tax exemption. I can understand Treasury's concern that this could get to a point where any industry could go looking for tax-exempt bonds, and it would not invest its own money any more, and that this would then destroy a very important segment of Federal revenue and a legitimate one.

I think that this really is a philosophical question relating to our concept of government and the federal system as against a central governmental structure, which exists in many countries.

Mr. DORN. Thank you, Governor. I quite agree, because some of the States in the Union, whose economies are perhaps a little bit weaker than your great State, have found industrial development very advantageous. Revenue bonds have been of great assistance to smaller communities, and have helped slow the trend toward urbanization, which is one of our great problems in this country today. So, I commend you.

Mr. Miller from Ohio, one of our very fine members of the committee.

Mr. MILLER. I wish to compliment the Governor on his fine statement.