sums of money. The Federal Government now faces a deficit of at least $25 billion in fiscal 1969. Even if the tax bill and expenditure cut are promptly undertaken, the deficit will run at about $10 billion. With inflation continuing and with the external value of the dollar obviously still in jeopardy, a deficit at even this reduced level is not to be regarded lightly.

Given this environment of fiscal constraint, two inferences clearly follow. First, any large new program of antipoverty expenditure must require either a major overhaul of the present personal income tax to produce more revenue at the revised rates now sought, or a substantial revision of present spending priorities to permit reallocation of revenues available.

Second, all antipoverty programs, existing or contemplated, must compete with each other for scarce Federal dollars. All of them must be critically examined. Their specific goals must be carefully identified. A consensus must be worked out regarding the relative priorities of these goals. And to the extent that these specific purposes overlap, their comparative costs and benefits under competing programs must be evaluated so that scarce tax dollars can be used most productively in the war on poverty.

Essentially, there are three major ways in which the Federal Government can spend money to alleviate poverty. The first is to increase the incomes of all of the poor, by means of a subsidy or transfer payment. This approach would embrace those who are already employed, those who are employable, those who mostly will become employed soon—male youngsters primarily—and those who are not in the labor force and not likely to enter it because they are too old or too young, or are incapacitated in some way, or are involved in the duties of motherhood.

The second approach is that of financing programs to increase the earning power of the employed and soon-to-be employed poor. This includes the various manpower development programs, emergency employment plans, expenditures to upgrade education at all levels, all measures to enlarge job opportunities by antidiscrimination laws, training incentives to private industry, and special credit arrangements to encourage the formation of new enterprises. In the same category would be investment funds to upgrade and extend public transportation in urban and metropolitan areas, so that city workers can get to distant jobs cheaply and conveniently—a necessity that now receives only $175 million annually in Federal funds, as against over $5 billion for highway construction chiefly for the benefit of suburbanites and the motor trucking industry.

The third line of attack is directed at improving the quality of the environment in which the poor now live, especially in the cities. Like the second, this approach mainly calls not for payments directly to the poor but for expenditures on infrastructure that can yield large external benefits to them. Here I have in mind the upgrading of slum schools to achieve genuine parity, the rebuilding of rundown city housing, and the development of more adequate civic facilities and amenities of all kinds.

Consider now transfer payments in behalf of the first approach, that of raising the spendable incomes of all of the poor. At the present time, the Federal Government directly participates in two major