

you and other committees before that the average effective rate in the top brackets, if you include all income, never exceeds 30 percent.

Senator PROXMIRE. Not in the top brackets, but in some of the lower brackets, it does.

Mr. PECHMAN. No. There is no bracket under the present law, if you include all income.

Senator PROXMIRE. Joe, I hope you will make out my income tax next year.

Mr. PECHMAN. No; no. I referred to the average effective rate. That is the point. So that, on the average, Professor Rolph actually increases tax payments of the people above the credit very substantially. And, of course, he redistributes it to the poor. You cannot regard his flat rate as a nonprogressive device. It is a highly progressive device, one which, if we could ever approach it, would be a great improvement over the present system.

Senator PROXMIRE. One other question for Dr. Rolph: I quote you: "If a credit income tax is installed with a reasonably generous credit, the Federal Establishment other than the Defense Department could be substantially curtailed."

Mr. ROLPH. Right.

Senator PROXMIRE. Happy day. But I must say, when you look at other expenses than national defense, it is awfully hard to make a case that you are going to cut. I have the "Budget in Brief" before me, and there are seven or eight items. Would this reduce international affairs, foreign aid? Would it reduce space research, agriculture, and agricultural research? Some, perhaps.

National resources, commerce and transportation, housing and community development, education, general government, interest?

I can see that it might have some effect on categorical grants for health, labor and welfare, possibly have some effect on retarding veterans' benefits, although I doubt that.

I doubt that it would have much effect on holding down other spending. If it would, I think it would be a very strong argument.

Mr. ROLPH. Let us take something like the Army Engineers, who engage in these various water projects, and what-have-you. Whenever these are looked at, almost 100 percent in my experience are found to be overscaled by a big factor. A lot of them are not justified at all. But with income distribution coming into the picture—they need a dam up in the Eel River because the people are poor—even if they do not want it, the claim is made that they are going to be better off.

If you could get rid of this distribution argument as being irrelevant in lots of these projects, you are on much firmer ground to say "No." Maybe you will not say "No."

Senator PROXMIRE. I am afraid I would not.

Mr. ROLPH. Take the farm program. That is very expensive. What is the number—\$6 billion? Well, let us cut that back.

Senator PROXMIRE. Cut it back providing that the small farmers would be the only ones who would benefit?

Mr. ROLPH. Studies of that have shown many times that people who benefit are the large farmers.

Senator PROXMIRE. They would not benefit from the negative income tax.

Mr. ROLPH. How are they going to justify their position?