eral tax revenues accompanying economic growth will go towards financing built-in increases in Federal expenditures.

This still leaves an important source of revenues for financing expanded social programs. And these are cumulative totals which increase each year—$6 billion in the first year, $12 billion the second, $18 the third and so on. But, at least in the first few years, they will probably not be available for financing major *new* social programs. There are a host of existing Federal programs, introduced in the last several years, in answer to pressing social problems, which have had to be held well below the levels originally intended because of the rising Federal deficit and inflationary pressures. The Elementary and Secondary Education Act of 1965 was a path-breaking piece of legislation, designed to provide a major increase in resources for compensatory education, primarily for the poorer schools and school districts in the nation. Yet it has never been funded at more than $1½ billion, which represents less than five percent of total State and local expenditures on elementary and secondary education. The Rent Supplement program—to help make decent housing available outside the huge ghetto-like public housing projects—has so far been unable to secure more than $20 million a year in authority to enter into rent subsidy contracts. Appropriations for water pollution waste treatment facilities have only been half the amount authorized in the Water Pollution Control Act and an even smaller fraction of the resources needed to make a meaningful dent in the pollution problem. And again so on down the list.

For the first several years, therefore, after cessation of hostilities in Vietnam, a very substantial part of the rise in Federal revenues accompanying economic growth will have to be devoted toward meeting increased workloads in a host of established Federal activities. Most of the remainder will be needed to provide funds for existing and high-priority social programs which have had to be skimpily funded in the last three years. The expansion of these programs can make a substantial contribution toward meeting urgent national needs. But there are unlikely to be large sums available—out of current tax rates—to support major *new* attacks on social problems.

And for such sums as are available, there will be an important new claimant. Since the end of the Korean war, some 15 years ago, there have been several major reductions in Federal tax rates and some minor ones. Federal tax rates were reduced in 1954, in 1962, in 1964, and again in 1965. Even with the currently proposed 10 percent surcharge, Federal tax rates will be substantially lower than they were five years ago. Federal expenditures, including the costs of Vietnam, now take up only a slightly larger percentage of our national income than they did five years ago, and excluding Vietnam a smaller percentage. But the situation with State and local tax rates and expenditures is far different. State and local expenditures have been rising at an accelerating rate—in the late 1950's at $3½ billion per year, in the early 1960's at $5 billion annually, and they are currently rising at $10 billion per year. State and local revenues, at constant tax rates, were not able to support these increased expenditures.

As a consequence State and local tax rates have been raised again and again. Income taxes have been introduced for the first time in many States and increased in others. Sales taxes and property tax rates have been raised repeatedly. State and local revenues, which were nine percent of our national income in 1957 have risen in the short space of ten years to almost 12 percent.

As we grow wealthier, we demand more and more public services in the form of better education, better parks, better highways, expanded State Universities, and the like. Moreover, most public services cannot be mass produced. They are not subject to the same gains in productivity which mass production industries can use to offset the costs of higher wages. Not surprisingly, therefore, as salaries of teachers, and policemen, and civil servants rise, the price of public services rises apace. For all of these reasons, expenditures on public services at the State and local level tend to grow faster than the national income. At the same time, however, we resist paying the increased taxes these public services require. A man whose income rises from $8,000 to $12,000 a year will pay perhaps $70 for a suit instead of the $50 he once paid. He wants a better suit and he doesn't gripe about the system. But he will strenuously resist the tax increases which his rising demand for public services requires.

And there is little doubt that resistance to State and local tax increases has been growing. That resistance has been one of the major reasons why many Congressmen have refused to support the proposed 10 percent Federal surcharge. The steady pattern of State and local tax increases will, I am certain, lead to sharp pressures, once Vietnam is over, for some form of revenue sharing, under