The tax-credit approach does not separate the responsibility for spending tax receipts from the responsibility for levying taxes as the tax-sharing approach would do. Instead, it gives each State a prior claim on the tax resources of its own taxpayers and thus provides a greatly expanded opportunity to develop a revenue system based on local needs.

We recognize it will take some time to work out in detail a procedure to substitute Federal tax credits for existing grant programs; however, we urge Congress to give this approach careful study as a means of achieving two worthwhile objectives: (1) reducing fiscal demands on the Federal Government and (2) increasing the revenue available to State and local governments without which it is impossible to have effective local control.

Agriculture, as such, received only a brief mention in the President's Economic Report and only a little more attention in the state of the Union message.

In recounting 1967 developments in the Economic Report, the President noted that "* * * farm proprietors' net income dipped, but by yearend had returned to the level of a year earlier * * *." It should be noted that this dip in net farm income was at least partly due to Government efforts to increase grain production. The fact is that the Government over-reacted to hysterical evaluations of the world food situation and encouraged farmers to expand grain production in advance of effective demand. Food aid shipments under Public Law 480 actually were reduced during the fiscal year 1966–67, particularly in the case of wheat and flour. The inevitable result of this combination of factors was lower grain prices.

We agree with the President's recommendation that Congress extend Public Law 480; however, we favor changes which will make certain that needed supplies are produced in response to market prices and are purchased in the market. It should be made clear that this program is a part of our foreign aid commitment, not a subsidy to domestic producers.

In the state of the Union message, the President said that he will recommend actions to establish "a security commodity reserve" and "programs to help farmers bargain more effectively for fair prices."

Practically everyone agrees that some reserves of agricultural products are desirable to meet unforseen variations in production. In our opinion, however, Government-held or controlled reserves are unnecessary for the protection of domestic consumers, bad from the standpoint of producers, expensive from the viewpoint of taxpayers, and not necessary for exports or foreign relief.

Then I go into some detail here in the statement on the reasons why we believe that these are bad for consumers, are not desirable for consumers, are bad for producers, and bad for taxpayers.

We also point out that these reserves come back as any Government-held stockpile to fall on the market and are disruptive to a market system since there is a constant danger that the Government will break the market by releasing its stocks.

We point out that the heaviest Commodity Credit sales of stocks have been made in order to first force farmers into so-called voluntary programs by penalizing noncooperators and, second, to attempt to counteract the effect of Government inflationary policies on food prices.