

grant-in-aid programs from the Federal Government. There has been a significant increase in these grant programs in recent years.

Second, there has been a major shift from rural to urban areas. I am sorry that Senator Javits is not here, His earlier comments were similar to those in the New York Times editorial yesterday on this subject.

I think if you would look at the Special Analyses volume of the budget you will find a sharply different picture than offered in that editorial. While total grants to State and local governments have gone up significantly, they have gone up even more rapidly to urban areas. Federal grants to metropolitan areas have gone from \$5.6 billion in 1964 to \$16.7 billion in 1970, roughly tripling over this period. In the 1970 budget, 67 percent of Federal aid programs are going to urban areas. That happens to be just about equal to the percentage of the total population that lives in urban areas. So there has been a major shift over these last 5 years in aid programs to urban areas.

Now, you can argue whether this shift has been fast enough or too fast, but there has clearly been a major shift from rural to urban emphasis. In 1964, 55 percent of Federal aid funds went to urban areas. Now 67 percent goes to urban areas.

Lastly, I think it is important to indicate two additional sources of support for urban areas. First, the tax expenditure analysis that Secretary Barr gave you earlier indicated a major investment in urban areas through tax credits, and secondly, the President recommended, and we think this is of critical importance, in his state of the Union message and in his budget message, the creation of an Urban Development Bank, a bank whereby moneys can be raised in the private market and channeled at lower interest rates to urban areas.

So, I think the record is quite clear that there has been a dramatic and important shift to urban areas during this administration. Whether it was enough or too much is obviously a matter on which we probably have as many opinions as we have people in the room. Mr. Chairman, that summarizes my statement.

(The prepared statement of Mr. Zwick follows:)

PREPARED STATEMENT OF DIRECTOR OF THE BUREAU OF THE
BUDGET CHARLES J. ZWICK

Mr. Chairman and Members of the Committee, my colleagues have discussed the basic fiscal policy governing our overall tax and program recommendations for the fiscal year 1970. Let me just run through briefly the budget totals and some of the highlights of the budget outlay figures.

Given the uncertain outlook at this time with respect to Vietnam and the continued need for positive action to foster a return to relative price stability, we believe that the appropriate policy is to plan for surpluses in the Federal budget in the current and upcoming fiscal years. As you know, we ran a \$25.2 billion budget deficit in fiscal year 1968. As a result, the Federal Government's borrowing requirements were exerting an extreme upward push on interest rates.

Now, for fiscal year 1969, we expect a sharp swing to a budget surplus of \$2.4 billion. The budget recommendations for 1970 should produce a further surplus of \$3.4 billion, with a restrictive expenditure policy and extension of the income tax surcharge and current automobile and telephone excise tax rates for another year. The fiscal restraint embodied in these surpluses—along with appropriate monetary policy and restraint by business and labor in their price and wage decisions—should contribute to an easing in the upward pressure on interest rates, further improvement in our basic balance of payments position, and a return to a sustainable rate of economic growth.