forward. Having argued that it made no great difference whether we reduced taxes or increased expenditures when the economy needed stimulation, they were led to argue that it made no great difference whether we reduced expenditures or increased taxes when it was felt that the economy needed restraint. They even came to the point where they were supinely accepting some of both medicine, which was almost equivalent to the preposterous proposition that a tax increase would be more acceptable if spending were reduced and the pressures on the economy accordingly reduced than if spending were not reduced.

It will take us many years, at best, to work our way slowly and painfully out of this hole into which the "New Economics" has so proudly put us.

Increasing fiscal responsibilities of Federal Government

I have only one additional point to make in this phase of my discussion, but it is one that cannot be overlooked. Another reason why the recent fiscal policies have been so inadequate is that they have failed to recognize the inescapable increasing responsibility of the Federal Government to meet a larger share of the burden of the cost of rescuing our urban areas and making war against poverty. I can never understand how my friend Walter Heller, so ardent an advocate of massive Federal tax-sharing with the States, thus evidencing the recognition of what I have just stated, could have gone all out for the kind of incontinent tax reduction which was sure to make the Federal Government have so much less to share.

From 1947 to 1967 (fiscal years), Federal spending increased at an average annual rate of 6.1 percent, while State spending increased at an average annual rate of 9.1 percent, and local spending at an average annual rate of 8.9 percent. During 1953–61, the respective average annual rates of advance were 3.4 percent, 9 percent, and 9.1 percent. From 1961 to 1967 the respective average annual rates of advance were 8 percent, 8.2 percent, and 6.5 percent.

From 1947 to 1967, the average annual increase in the public debt was 1.1 percent for the Federal Government, 12.6 percent for State governments, and 9.1 percent for local governments. From 1961 to 1967, the respective average annual rates of advance were 2 percent, 8.4 percent, and 6.9 percent.[12]

Coupling these trends with the extremely regressive nature of State and local taxation, and the relatively greater impact of tight money and rising interest rates upon the State and local governments in view of the immensely greater percentage increases in their necessary borrowings than in the case of the Federal Government, the full consequence of recent Federal fiscal policies are clearly revealed.

A model Federal Budget, responsive to needs and capabilities

At an earlier stage in my discussion, I set forth projections for gross national product and its components running ahead to 1977. A Federal budget showing trends compatible with its responsibility for economic and social equilibrium is an indispensible element toward achieving these goals. My next chart sets forth a model for such a Federal budget. It indicates that outlays for all domestic programs should rise from 10.91 percent of GNP, as estimated for fiscal year

[12] See chart 13, following text.