constraints on the central Treasury; and (2) state and local revenue efforts—and the importance of such governments—have atrophied over the years: local taxes haven't been reformed or appreciably increased, greater reliance is now on federal dispensations.

Nigeria

The interesting conclusion to abstract from the Nigerian experience is the tremendous amount of energy—both political and administrative—utilized in debating, revising and restructuring the revenue sharing system. The federal legislative machinery there, as well as here, might have more important tasks to perform. If revenue sharing were adopted by the U.S. Congress, it could easily be foreseen that an annual appropriations battle would ensue over revenue shares with mayors and governors spending inordinate amounts of time and energy in Washington rather than in their local habitats.

Germany

The German experience highlights the problem of a growing loss of power by the central government to stabilize the economy (prices and employment) when large shares of its tax collections are automatically earmarked to subordinate jurisdictions.

Brazil

The recent (1964–70) experience in Brazil in restructuring its revenue sharing system offers numerous lessons. Previous revenue shares were often unpaid by the central government or "temporarily frozen." When the system granted equal shares to each *municipio* (county), the result was a doubling of the number of counties. (The State of Wisconsin had a related experience in the proliferation of subordinate government units.) Later the federal government reduced revenue shares by 40 percent. Then it began to enact a growing number of conditions as to how the localities should spend the funds. In the meantime the localities either lost interest in reforming their own revenue sources (which declined sharply) or lost such revenue sources by a constitutional shift to the federal or state governments. The growing "conditioning" of the earlier unrestricted grants was related to the inability to spend the funds according to national priorities (many local units used the "free money" for conspicuous street lighting or sports stadiums when half of the citizens could neither read nor write).

CONCLUSION

The historical lessons of revenue sharing seem to point toward the following tendencies: (1) local governments tend to lose power within the federal system; (2) local revenue sources tend to atrophy: new tax reforms are not enacted; in the U.S. system one would expect less effort toward, say, adopting income taxes in those states not now having any such taxes; (3) an extraordinary amount of political energy is expended by local governments lobbying for greater revenue shares; in the U.S. context this might mean more time spent by the Ways and Means Committee on adjusting revenue shares than on other ("more important") issues: national health care, restructuring social security taxation (the most regressive tax in the federal system), and taxation at death (especially the taxation of capital grains at death—which has been postponed since 1963); (4) stabilization of the economy becomes more difficult for the federal government as a growing share of its revenues are automatically siphoned off to subordinate jurisdictions.

It is often stated that revenue sharing is merely a supplement to other federal programs. No economist could agree with this: every federal allocation has its "opportunity cost" or program foregone. The other possible use of federal funds would seem to have a much higher priority than unrestricted funds to states and localities. Any "unrestricted dollar" would be less efficient than "directed dollars" at "people problems": employment, housing, income maintenance or eduction. National priorities suggest that "people problems" take precedence over the "bookkeeping problems" of local governments. True revenue sharing means sharing money with people, not governments. And because today "revenue sharing" really means "loan sharing" (given that the funds would be borrowed as part of the deficit) it would be better for the states and localities to pool their borrowing themselves.

Mr. HATFIELD. Mr. President, perhaps most important, however, is the general philosophy behind revenue sharing. The bill now before us is, in reality, a way to spend the taxpayer's dollar without allowing him control over its allocation. The revenue-sharing bill circumvents the citizens of this country, particularly the taxpayers. The basic thrust of this kind of legislation undermines the representative nature of our Republic and erodes the quality of our Government. If grants are made to State and local governments they should include the requirement that explicit programatic standards be met, with an eye toward redirecting State and local spending. Virtually every revenue-sharing proposal presented to the Senate has failed to meet this criterion.

What should be done? Of primary importance at the Federal level is to cut back unnecessary and wasteful spending. We must focus our spending priorities in areas which will yield greater return. An example is military spending, which can be cut back without jeopardizing our national security. A recent study by the Bureau of Labor Statistics suggests, furthermore, that a dollar spent on education generates twice as many jobs as a dollar spent for military purposes.

A significant step in the right direction would be the absorption of all State welfare costs by the Federal Government. This would help the States reduce a major portion of their budgets and free them to spend these revenues in other badly needed areas. While the source of welfare revenues would generate from the Federal Government, the administration and control of the program must remain at the local level. My State of Oregon, for example, would benefit more by this approach than by the revenue-sharing proposal under consideration—$76 million through welfare reorganization in contrast to $70 million through revenue sharing.

Most urgently needed, however, is a major change in the trends of government over the past 3 decades. These trends must be reversed. Testimony I submitted to the Republican Platform Committee in Miami in August of this year discusses this matter in detail. Therefore, I ask unanimous consent that the testimony be printed in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

ON NEIGHBORHOOD GOVERNMENT

(By Senator MARK O. HATFIELD)

It is clear today that the great experiment of our cities is a failure. We must return to a scale of government which is comprehensible to our citizens. By developing a neighborhood government—not by fiat but by an organic evolution from community organization—we can develop a sense of community through the state and a sense of individualism and neighborhood through the nation. To date, the centralization of government has destroyed community self-management and citizen participation. We must reverse this trend and develop our cities along the lines of neighborhood government and inter-neighborhood cooperation.

There is a renaissance in our democracy today, and the Republican Party has a distinct opportunity to play a major role in it. Over the past decade, communities of neighborhood size have been incorporating, taking over various governmental services, and providing for many of their own needs. This reformation of local control can be encountered from coast to coast, in poor neighborhoods, in middle class neighborhoods, among blacks, Chicanos, whites, Latins, Catholics, Jews, and Protestants. It has cut across economic, racial, religious, and political lines, and is potentially the most dynamic force within our society today. I would specifically make five proposals which the Republican Party should include in its platform:

1. Development of state and federal legislation, allowing for the creation of neighborhood governments.
2. Elimination of the legal, political, and economic obstacles to development of neighborhood self-governing capacity.
3. Nationwide boundary determination of neighborhoods.
4. Development of methods promoting economic self-sufficiency of neighborhoods.
5. Determination of standards and data regarding neighborhood development.

The first proposal is that legislation should be developed to allow for the creation of neighborhood governments. Within this context, incentives should be made to state and local governments to facilitate this effort. Model legislation could be created, including financing arrangements in the mutual interests of the neighborhood, state, and federal governments. The general thrust of all of these proposals should be to develop working models from which we can learn how to better devolve power to the people in as orderly a fashion as possible.

My second proposal is to encourage government at every level—city, county, state, and federal—to eliminate the political and economic obstacles to neighborhood self-governing capacity. The legal obstacles, let alone the political and economic obstacles to neighborhood evolution and incorporation, are numerous. Without the strong support of every level of government, this movement will be forestalled and distorted.

The political obstacles are considerable. At the time of the Republican Party's founding, like today, the nation was in great turmoil. It was a painful period of introspection and groping for answers. From this turbulance, our Party was formed—too late, unfortunately, to stem the tide of our most devastating war. These Republicans, men such as Senator Charles Sumner of Massachusetts, Senator Salmon Chase of Ohio, Senator William Seward of New York, and Senator Benjamin Wade of Ohio, were among the leaders of the new political party. While their reforms focused primarily on the issue of slavery, they were couched in a common belief of every individual's right to freedom and opportunity.

Yet, they, as well as our nation's first Republican President, Abraham Lincoln, realized that the individual can only develop his full potential as a human being through community. This concept dates back to the twelve tribes of Israel. The ancients realized that without a sense of community and real citizen participation in the public life of community, the individual and the family structure deteriorates.

Reflecting on the state of our society today, the place of the individual, and the strength of family unity, we find that we do not have much, if any, real community life. Individualism is distorted for it is not grounded in community, but in money and private advantage. This has become the political perspective and expression of today's institutions, including both parties. Our Party must now make a turn away from artificial and massive institutions and move toward the people. The Government must stop looking at the nation as a reflection of itself, and the corporation must stop looking at the economy as a projection of the corporation's self image. These various perspectives represent only part of the picture, a picture which we must consider in its entirety if our institutions are to be relevant to human needs.

It is on this point—our original commitment to individual liberty through community—that we Republicans differ most from the Democrats. Yet, our rhetoric and our programs are sorely in need of reshaping in order that they might express this difference clearly. The state of our political system reflects this. Voter registration, particularly since the addition of young voters between the ages of eighteen and twenty-one, points up the fact that both parties, but particularly ours, are viewed as having little if anything to offer the overwhelming majority of people in our country. If for no other reason than basic survival, we have to confront these facts while remembering that President Nixon won only 43% of the popular vote in 1968 and won the ten largest states by the slimmest margin.

The need for community is instinctual. Thwarting this instinct leads to the pathological qualities encountered today, particularly the sense of rootlessness. Unless individuals are able to relate together and act publicly for the well being of the community, the individual himself will be lost. Therefore, it is a fundamental need to return to citizen participation and community self-management.

As I pointed out earlier, neighborhood government dates back to the beginning of recorded history. It was also the basic form of political-organization throughout our nation's history—during our formative years and through the 19th Century. Over the past decade, this form of organization has been, once again, gathering momentum across the land. Today, neighborhoods are incorporating. They are taking over various services and providing for their own needs. Yet, their information within the present legal, political, and economic constraints is continually threatened and their development and perpetuation are thwarted. It is a tribute to the vitality of organized neighborhoods that they continue to persevere within the present environment.

The historical precedent for neighborhood control in the United States is the local township and its town meeting. Today, neighborhood corporations and their assemblies of residents are springing up throughout the country. California, Ohio, New York, Washington, D.C., Pennsylvania, Indiana, and Kansas are a few states in which this phenomenon has been occurring over the past decade.

The finances of this new level of government present a major problem. Here, coordination on the federal, state and city levels is imperative. Neighborhood governments which are predominantly middle or upper income will have no financial problem. The major financial problems occur in the lower income neighborhoods. However, various recent studies have indicated that even in these poverty areas, there is more of a fiscal base than has been assumed. For instance, one study made in 1969 of the Shaw-Cardozo neighborhood of Washington, D.C. concludes that more money was collected in taxes than was returned to that neighborhood in visible public services and welfare. Perhaps this is not typical for other poverty areas in our country. Not enough research has as yet been conducted to come to any definite conclusion on this subject. Seen from the political perspective, it could be said that neighborhood governments might assume control of a variety of programs as their ability to do so develops. Neighborhood government might move, perhaps, from child care to health care, to welfare, education, sanitation, police, etc. Seen from the financial perspective, tax incentives would have to be provided to enable these neighborhood governments to assume as much of the financial burden as possible for their own programs. For instance, tax credits could be provided for all residents to their neighborhood government in such a way that the greater the income level, the smaller the tax credits.

Initially, it may well be necessary for the state and federal governments to develop a system of grants to some neighborhoods which would focus on helping them to increase their economic base in order to make them as self-sustaining and independent as possible. It should be kept in mind that these grants would be designed to help others to help themselves, rather than to perpetuate socially and economically unproductive dependence. Such grants could attract business, which would have obviously constructive spinoffs, and would be made for specific purposes.

My third suggestion is that a nationwide study should be undertaken to define the boundaries of neighborhoods in our cities. These boundaries should be drawn on nonpolitical bases. They could be based along historical municipal boundary lines before annexation, postal areas, and other "natural" boundaries. The first and last survey of this kind was taken in the late 18th Century and was for the purpose of determining townships—the local units of government. The new survey about which I am speaking is for regeneration and reconstruction of communities. In a manner of speaking, I am advocating a humanization of the Bureau of the Census. On the basis of this survey, they could, and should, adapt their data-gathering mechanisms, projections, and analyses to neighborhood communities and their characteristics. The states and their neighborhood communities can assist in this survey with the help of federal financing, thereby exemplifying a new type of cooperation of nation, state, and human community.

Fourth, I would suggest that the various methods of neighborhood financing be researched with an eye toward building an economic base where it does not already exist to better enable communities to provide for themselves. Most neighborhoods already have the economic base to service their own needs, and this includes many poverty areas. However, some do not have the resources. A study of the numerous modes of neighborhood financing and economic strengths and weaknesses of each should be undertaken to gain a better understanding of this most vital matter.

I cannot stress too strongly that this is an approach for rich and poor, inner city and suburban, urban and rural communities. It is not a new war on poverty or grandiose scheme to be implemented through some massive federal and/or state bureaucracy. The primary responsibility rests with the people—with the private sector, not the public.

Fifth, implicit within such an approach to government is not only a new relationship between representatives and those represented, but a new citizen participation and responsibility in the public matters of finance, economy, education, zoning, police, welfare, health care, courts, child care, garbage collection, and many others. All of the major domestic issues of our time would relate directly to these neighborhood governments and would be settled by them for themselves within a purview of the Constitution and the civil and individual rights assured therein. As I stated earlier, this is not a question of states' rights, but of individual and community rights. My colleagues in the Senate and House and I, as well as legislators at the state level, have the responsibility for giving legislative form to the rights of the community, where appropriate.

The appropriate guidelines for legislative and administrative activities should be thoroughly examined. The aim of neighborhood autonomy and inter-neighborhood cooperation is the goal, but the methods and programs would vary from community to community and from state to state. Chartering neighborhood corporations should be made easy as possible within two general criteria. First, the chartering authority should be presented with evidence that an overwhelming majority of the neighborhood's residents approve of the action. Second, the boundaries should be determined on as nonpolitical a basis as possible.

The chartering authority would rest, as it does now, in the hands of the states. The two qualifications for chartering which I mentioned above are intended to be federal guidelines which determine the legitimacy of these neighborhood entities. For the purpose of defining boundaries, various criteria, including the following, could be utilized:

Annexation boundaries of former municipalities and townships within the cities.

Official designations by municipal government for such city services as police and fire protection, recreation centers, and neighborhood city halls.

Official designations by public or semipublic institutions such as local Community Action Programs, Model Cities Programs, Public Housing Authorities, and Employment Service-funded neighborhood outreach programs.

Sub-areas designated by indigenous voluntary neighborhood citizens organizations as their service areas.

De facto designations by church parish, by neighborhood schools, and by private settlement houses and community centers.

Sub-areas of the cities designated by indigenous "folklore."

Sub-areas of the cities contained within natural boundaries such as hills and rivers.

Sub-areas of the cities contained within artificial boundaries that have come to be accepted, such as freeways, railways, or other elements of urban design.

Sub-areas containing public and commercial clusters of amenities that have recently been or are currently primary amenities to the surrounding residents.

Sub-area designations consistently recognized by mass media.

In the final analysis, residents do define their neighborhoods through the impact of some or most of the above criteria.

Having focused on the national implications of neighborhood governments, it might be asked how the states relate to this matter. The states have the basic constitutional responsibility for the establishment of local government and local citizen participation. A great deal of extensive research, co-ordination and soul-searching is required for developing state policy toward neighborhood government. For instance, state enabling legislation may be necessary to allow counties and cities to "set up" the smaller subunits. Critical questions must be answered beforehand: How will neighborhood governments be constituted? What authorities will be devolved to this level? What standards of governmental performance will be used? What will be the new mechanisms of coordinating neighborhood self-management to higher levels of government?

A searching inquiry within each state must take place as to the role of the state in developing neighborhood subunits, what community organizations already exist, and how may these be utilized as the foundation of neighborhood governments. This investigation would most likely require meetings and agreements between various groups and individuals: community organizations and state personnel; state executive, legislative and judicial officials and personnel; legislators and their constituents; and the communications media. The areas covered by these discussions would include: the legal development of neighborhood governments, devolution of legal authority to these community-controlled institutions, standards of responsible government performance, and neighborhood co-ordination to higher levels of government in a new system of state and federal unity.

We can foresee a number of things:

State Leagues of Neighborhood Governments;

Proposed state legislation instituting community or neighborhood subunits;

Development of a nonpolitical, nonpartisan Community Government Training Center;

University and college course offerings in the neighborhood and community government areas;

State-wide neighborhood atlas development;

Legal and economic studies of local self-management;

Pilot projects on Neighborhood Welfare Reform Corporations;

Community-controlled health care;

Pilot projects on different types of local mechanisms which can relate to state government.

The political implications of neighborhood government for the nation and for the Republican Party are profound. The Democrats have successfully tapped the alienated voter in the primaries, but there are significant differences in strategy as to how to best approach the alienated American. The word "domestic" for the Democratic nominee seems to mean "national." For Republicans, it should really mean "local." This is what the Republican Party should be talking about. Neighborhood or community government is a natural phenomenon for the GOP.

Crucial to this campaign is the fact that people simply do not trust politicians. The only way in which this trust can be engendered, once again, is for the Party to trust the people. We should support the people's interest in the self-management of their community affairs. It is time for democracy to go to work again. These are things Republicans should be saying.

By having served on the Platform Committee for the past three conventions, my observation has been that virtually every platform which we Republicans have presented has suggested a return of power to the people and a debureaucratizing of government—both federal and state. I believe that we should do what we have always promised to do and implement a program to accomplish these ends. What is needed is a foundation, not of marble buildings in Washington, D.C., but of homes and communities throughout the country. These building blocks would be cemented with a revitalized sense of cooperation between neighborhood governments, between regions, between states, and ultimately between nations.

The modern history of the Republican Party has been against great plans and blueprints, New Deals, and the like. The Democrats urge people to come home to a new nationalism; we Republicans should urge them to come home to their neighborhoods and community affairs. We have heard president after president speak of the greatness of our nation. I would like to hear the Republican Party speak of the greatness of the people and their human communities. We should continue to be the Party that speaks to the people. This is the thread that runs through the most diverse areas of the Party. Modern society and big government treat people like numbers. Neighborhoods are the only place where you can have a name.

During the Convention, demonstrations are anticipated by various groups. One of their most often-mouthed slogans is "power to the people." We should challenge them with this program; challenge them with action, not with rhetoric. If we do not face this challenge now and live up to our promises of the past, when will we?

There is a great deal of talk these days of the new Democratic coalition: the college students, academicians, suburban liberals, pacifist church groups, black power advocates, women liberationists—the young, minority groups, and the poor. Yet, what we Republicans need to realize is that we have an opportunity to put together an equally healthy, new partnership; the middle class, skilled workers, business and professional people, housewives, farmers, working youth, the new South, blue collar workers, and the alienated voter. And, the alienated voter is the key. I firmly believe that neighborhood government can not only coalesce this new partnership for the Republican Party, but make significant inroads into the Democratic coalition, particularly among the workers, the minorities, and the students. The potential is there, and I strongly urge us to act in our own interests, in the interests of the nation, and in the interests of those we are supposed to be representing by returning government to the neighborhood and to the people—this is our Party's dream and the American dream.

Mr. JORDAN of Idaho. Mr. President, I oppose the adoption of H.R. 14370, the general revenue sharing bill. It would not do the job it is intended to do and the results could be most detrimental to the federal system.

It is quite evident that our States and local governments are in distress, but in varying degree.

It is also quite evident that the expenditures at all levels of government in the United States has increased from about 21 percent of the gross national product in 1950 to about 34 percent of the GNP in 1972.

Thus the demands of government at all levels are growing faster than the national economy. If this trend continues and government spending cannot be reduced or restrained in relation to growth then two courses are available to us. They are: First, Increase taxes to a greater share of the gross national product, or second, increase the national debt by borrowing to meet our so-called needs.

Neither of these alternatives is acceptable until we overhaul our present system of grants-in-aid. With the Federal Government doling out about $40 billion per year in these programs at a Federal administrative cost of another $8 to $10 billion plus the State matching contribution of about $30 billion with perhaps a further State administrative cost of $5 to $6 billion, we begin to see the dimension of the problem.

Especially is this true when we read the testimony of Governors and mayors to the effect that they are being coerced into many low priority programs by the lure of "free" money.

If the lure of "free" money is so enticing on a matching program, what might we expect when the whole program is "free" money with no strings attached?

No matter what kind of protective language is written into the bill to prevent the use of general revenue sharing funds as the seed money for matching categorical grants-in-aid, I contend it cannot be done. Money, like water, loses its identity when comingled with other money.

Before we discuss what is wrong with general revenue sharing let us remember two points:

First. Except for collection of duties on imports—a small percentage of the total—the Federal Government has no source of revenue except to collect it from the citizens and businesses in all of the States.

Second. There is no prohibition against the States taxing the same sources, except for duties.

I object to general revenue sharing because there is no money to share.

The Federal funds deficit for 1971 was $30 billion; for 1972, $29 billion, and the administration estimates that the deficit for the current fiscal year will be at least $38 billion.

This means that in three fiscal years the Federal funds deficit will near or exceed $100 billion.

This means that more than 20 percent of the total national debt will have been incurred during this 3-year period.

General revenue sharing promotes unsound government because it separates the responsibility for raising revenue from that of spending, thus encouraging reckless spending and discouraging thrift. Some restraint may be expected when a governmental unit has to raise in taxes at least a part of the money that it spends. Let us look at the record.

During the past 25 years categorical grants-in-aid have increased from $1 billion to nearly $40 billion per year. Many witnesses testified to the inadequacies of this approach.

Over the past 25 years the recognition of a problem in American society has mandated a Federal solution. Program atop program has been added in Washington with the hope that if we throw enough Federal dollars and Federal bureaucracy at the problem, it will go away.

But this generation of new programs has not contributed as hoped to the solution of our basic problems. Indeed it may have exacerbated them and worsened our ability to solve local problems effectively.

When the Federal Government puts those categorical programs out there with very attractive matching provisions it virtually coerces the States and cities to spend money in accordance with federally set priorities.

I think in many respects this drain on States and localities has been one of the factors responsible for the fiscal difficulties in which they have found themselves. They have been forced into this in order to, in effect, conform to the pattern the Federal Government has imposed.

We have put in place over 500 Federal grant-in-aid programs which forms a crazyquilt of partial solutions to particular local problems in the Nation. This plethora of narrow programs has created an enormous bureaucracy and forced our State and local governments to compete with one another in their quest for Federal grants-in-aid.

This maze of programs has significantly reduced accountability at the State and local level because it has generated literally thousands of new special purpose districts that have been set up to receive and spend these funds, but which only infrequently answer to the voters.

In 1957 there were 14,000 special districts in the United States, in 1972 there are approximately 22,000.

In contrast the number of counties, cities, and towns has remained rather stable over this period while the number of school districts has actually decreased.

This bewildering array of different kinds of local units has confused, frustrated, and angered the public. It has created in Washington a vast number of uncoordinated and sometimes duplicate efforts to solve the same or similar problems. It is public confidence in government that suffers.

No attempt is made in this legislation to correct the evils of the present grant-in-aid system. General revenue sharing is superimposed on all other programs.

States and local governments have diverse needs not met by a single formula of distribution.

Each of the 50 States has a separate and uniquely different system of taxation and pass-through formula for distribution of State collected funds to local governmental units of government.

Why then do we assume that one single formula for distribution will work best for all 50 States and the 39,000 governmental units involved in this legislation?

To those who complain that the Federal Government has preempted sources of income with a progressive income tax; to those who are genuinely concerned with making more money available to State and local governments; to all who truly believe in passing government back to the people, I recommend that we proceed along these lines:

First. Overhaul the present grant-in-aids system by eliminating those programs of lowest priority and consolidating others into block grants thus providing States and local governments with greater flexibility in programing these governmental services to their particular needs.

Second. Permit the States to use the Federal income tax as a vehicle and the Internal Revenue Service as the collector to collect for the States, upon request by each State legislature such percentage of the amount of Federal income tax collected in that State as the State legislature may request. This could be done by adding one line to each tax return stating, "Collected for the State at the request of the State legislature a (stipulated) percent of the amount collected for Federal use."

Third. Permit the regular pass-through distribution system which each State has developed over a period of many years of trial and error and compromise—no single distribution formula can possibly meet all the needs of all the States as equitably as the ones presently in use. In other words, no distribution formula should be dictated by the Federal Government.

Mr. EAGLETON. Mr. President, the philosophical and political arguments on revenue sharing—pro and con—are abundant.

But the question now is not philosophy or politics. It is money—the hard fact that we cannot pay for revenue sharing, and therefore we cannot afford it.

If we pass this bill today, we will be instituting debt sharing, not revenue sharing.

Whatever its value to beleaguered city governments—whatever its merits as an instrument for returning financial power to States and localities—the benefits of revenue sharing in our present economic circumstance will be a costly illusion as far as the average American wage earner is concerned.

The money for revenue sharing will not be mysteriously generated in Washington. One way or the other, it will come out of the taxpayer's pocket. And the present reality is that unless the American people want higher Federal taxes, they will pay a higher "inflation tax" as we march them off down the road of irresponsible deficit spending.

In the past, I have voted on several occasions to reduce proposed military spending that I considered excessive. Logic and conscience demand that the same standards be applied to domestic expenditures. We can afford no sacred cows when it comes to getting value for the taxpayers' dollar.

If we could reform the Federal tax structure so that the rich would ante up their fair share, we might have the money for revenue sharing, and I might feel differently. But yesterday, the Senate rejected two amendments which would have linked revenue sharing and tax reform.

If there were a peace dividend—but there is not, because all the savings for winding down the war in Vietnam have gone into winding up new and more costly weapons systems.

If we were not in the grip of continuing inflation—if we could risk a greater stimulus to economic recovery from the Nixon recession, I might feel differently.

But the budget deficits of the last 2 years have averaged $23 billion. For fiscal year 1973, deficit estimates run between $27 billion and $35 billion. About $22 billion of this deficit is needed to stimulate economic recovery, but the rest is pure inflation. It means inequitable economic controls for a longer period.

And for Missouri voters in particular, there is a hidden cost. Under the distribution formula in the bill, Missouri will get back only 87 cents for every tax dollar it sends to Washington.

It would be easy to vote "yes." Virtually every mayor, every county official, and every Governor in the country would applaud. And in the past I, myself, favored revenue sharing provided that we had an economic growth dividend or a peace dividend to finance it.

But our choice on this vote is fiscal restraint or fiscal irresponsibility, and in the name of Missouri taxpayers, I will vote for restraint.

Mr. DOMINICK. Mr. President, I have followed and participated in the debate on revenue sharing with a great deal of interest. President Nixon in his message to Congress in February 1971 stated that—

> Revenue sharing is an idea whose time has clearly come.

I agree. Revenue sharing is a concept that should be enacted at the present time as a means of granting partial relief to the ever increasing fiscal crisis which has overtaken and engulfed our State and local governments. There are many of us who continue to ask such questions as how will our country pay for this bill? And does the Federal Government have any revenues to share? Perhaps the most pertinent question and the question which we fail to ask enough times during consideration of revenue measures is: Do the taxpayers of this country have any additional revenues to share? Let us remember as we deliberate the revenue-sharing bill and all of those other bills and well-intentioned proposals designed to eradicate the social and economic problems confronting our society that the funds to pay for this legislation originate with the taxpayer. The taxpayer is too often the forgotten hero or goat of our legislative process.

Under the Senate Finance Committee version the bill would cost $29.5 billion over a 5-year period, and the House-passed version of revenue sharing would cost $24.5 billion over the 5-year-life of revenue sharing.

My State of Colorado would receive a total of $71.8 million annually under the Senate version of the revenue-sharing bill. Under the House version, Colorado would receive $59.4 million annually. Funds paid directly to local governments under the House version would be restricted to certain items involving public safety, environmental protection, public transportation, whereas, under the Senate version no such strings will be attached to the revenue-sharing funds.

The annual difference between the House and the Senate versions is $1 billion and such an amount certainly requires comment. The Senate Finance Committee included the additional $1 billion for supplemental sharing grants which would replace existing social service grants except those for child welfare and family planning. Under the present law Federal matching for social service is mandatory and open ended. Every dollar a State spends for social services is matched by three Federal dollars. The Federal share for social services was three-fourths of a billion dollars in fiscal year 1971 and approximately $1½ billion in fiscal year 1972. Estimates have been made that the Federal share would be $4.7 billion for fiscal year 1973. Now is the time to stop this ever-enlarging spiral and an established limitation would certainly be a step in that direction. The Senate bill contains such limitation and although the amount will be raised in conference it does establish the proper precedent.

Evidence of the fiscal problems facing State and local governments is overwhelming. During the period 1946–70, general expenditures increased from $11 billion annually to $130 billion annually. Nearly three-fourths of the tax revenues for State and local government come from