

Representative RUMSFELD. In your statement you say: "The income deficiency of the poor in 1965 was \$11 billion. This is the total amount by which their incomes fell short of the poverty line. Without these programs"—and I am not quite sure what "these programs" means—"the deficiency would have approached \$20 billion."

This means, that "these programs" reduced the potential deficiency by \$9 billion?

Mr. COHEN. Right.

Representative RUMSFELD. Could you explain what "these programs" are and what their cost was?

Mr. COHEN. The two general programs that I was dealing with was the so-called social security program, and the public assistance or public welfare program.

Representative RUMSFELD. What were their cost?

Mr. COHEN. Their total benefit expenditures at the present time would be in the nature of about \$5 billion for public assistance and about \$20 billion for the social security program. That is about \$25 billion.

Representative RUMSFELD. So an expenditure of \$25 billion reduced the deficiency from \$20 billion potential to an estimated \$11 billion.

Mr. COHEN. Public assistance payments in 1965 were \$3.5 billion, 100 percent of which went to the poor. In 1965, social security cash benefits were \$18 billion. In the social security program of course, the payments are not made only to the poor. Any person who has contributed and meets the eligibility requirements receives benefits and there are large numbers of middle-income groups who, if they have private pensions and other investment income or if they are still working some or less than full time are not in the poor category.

Representative RUMSFELD. I appreciate that. I would just like to concur with the comments of Mr. Widnall concerning your comment about greater work force participation of beneficiaries who are able to work.

I have had a bill in that would accomplish this for a period of years. It has never received favorable consideration. I am hopeful that we can do something in this area. I think it is very important.

I have a number of questions, but one is quite general, and I will pose it first. You have indicated that the social security income and output of the programs have a stimulating effect on the economy, in your opening remarks, a net stimulating effect.

Certainly the administration's proposal for a tax increase will have a depressing effect.

Let's say they are offset, which I think is not an inaccurate statement. The net result is that with respect to the effect of the economy, they are offset, and yet the other effect is that you will have higher taxes, non-social security, and in addition, you will have higher social security taxes, and there will therefore be a smaller total percent of earnings left to individual wage earners as a result of both of these factors, and therefore Government will be playing a larger role in the expenditure of an individual's total earnings than previously, and yet there is no net effect there on the economy.

Now you made a very fine statement in response to the question concerning a guaranteed income, and you said a number of things that I agree with you on very strongly.