

breadwinner will tend in the great majority of cases to be in need of income maintenance payments. Thus they are aimed at preventing such families and individuals from falling into poverty when these contingencies occur. Proof of poverty is not a condition of eligibility, however. Benefits are paid as a matter of right to those who meet specified eligibility conditions, which generally take the form of requirements that the individual must have worked a certain length of time and have received certain minimum earnings in covered employment before meeting the contingency of old age, disability, death of the breadwinner, or unemployment. In country after country that adopted social insurance programs from the 1880's onward, this principal had great psychological appeal to the working classes, which had developed deep-seated feelings of resentment toward the demeaning aspects of the means tests on which older types of poor relief were based.

Workers also liked the feeling that, under the contributory system of financing which was generally adopted in social insurance programs, they and/or their employers paid for the benefits they would ultimately receive. Also highly significant from an economic point of view is the fact that the worker or his widow does not have to exhaust whatever meager savings may have been accumulated before being entitled to benefits.

It is important to recognize that various versions of the negative income tax or social dividend proposals would have very different implications for existing social insurance programs and would undoubtedly have different effects on incentives to work and to save. Very drastic changes, for example, would be brought about by proposals of the Friedman type, which would replace all other income maintenance systems by a negative income tax designed to restore a given percentage of the poverty income gap—in Friedman's case, 50 percent. Such a scheme would offer no protection whatever to unemployed workers and their families unless the family income was below the poverty line to begin with or fell below the poverty line in a given calendar year as a result of unemployment.

Among the adjustments that probably would be made by unemployed workers and their families, judging from existing data on the impact of unemployment, would be dipping into savings, borrowing money, piling up bills, getting help from relatives, moving to cheaper quarters, and other family members seeking work. The frequency and severity of such adjustments clearly would be substantially increased under Friedman's proposal. These considerations also apply in part to social insurance provisions for partial replacement of income loss attributable to temporary or permanent disability, whether of an occupational or nonoccupational character.

Social insurance has many advantages as a method of providing for partial replacement of income loss attributable to old age or the death of the breadwinner. Under proposals of the Friedman type, most workers who were not adequately protected by a private pension would sustain a severe loss of income at the time of retirement. Among elderly OASDHI beneficiaries, neither private pensions nor asset income contribute large proportions of aggregate income. Many of today's retired aged, of course, accumulated their savings in a period when real earnings were well below recent levels and it was correspondingly more difficult to save.