Another question that comes up with both the positive and negative income tax is the definition of a family unit. In the positive income tax, the individual is the unit, but obviously, we would not be able to hold to the individual in a negative income tax. I think the appropriate unit for the negative income tax is the family, since the family provides the basic economic support for its members.

There are, of course, easy cases—married couples with children and adults living alone, but there are others like broken families, married teenagers, self-supporting minors, college students and the like, which are troublesome.

I suggest that the family include the adult nucleus—this might be defined, first, as any married couple; second, any unmarried person 21 years of age or over; and third, 19- and 20-year-olds who do not live with their parents and do not receive more than half their support from them. Children and other minors living in the household should be considered in the family unit if they receive more than one-half their support from the adult nucleus. Those studying full time for their college degree should also be included regardless of age.

Now, I will not go into the methods of setting the basic allowance, but clearly, here we have a number of objectives. One is to be adequate in terms of basic needs. The other is to keep the cost of the system within manageable proportions.

As Professor Hildebrand has said, if you want to lift the incomes of all people in the United States to the poverty thresholds, it would be very expensive indeed. I agree that you will have to start out modestly. I disagree, however, that this introduces an inflexibility or inconsistency with the present system and I will explain that in a moment.

My proposal would be to give the two adults an equal per capita payment and then taper down the allowances for children, depending on how much money you want to allocate. You might, for example, start with $600 per year per capita for the two adults and then give $400 for the first three or four children and then taper those down to $200.

Alternatively, you might start out with $800 per capita for the two adults, and add $500 for the first two children, $400 for the next two, and so on.

I would like to amend what Professor Hildebrand had to say in one important respect. There is a necessary connection between the positive and negative income tax if your breakeven level happens to be above the taxable level of individuals. In that case, there is a simple device of integration which would not require much paperwork and would not be difficult to administer. That is simply to permit the individual to elect whichever tax system is more beneficial to him. I have a chart in my prepared statement which explains this, but I do not think it is necessary to go into it in detail.

With respect to the methods of payment, another subject that Professor Hildebrand brought up, you can organize your negative income tax system in one of two ways, depending upon which way you look at the negative income tax system. If you regard the negative income tax system as paying basic allowances, you can simply pay out the equivalent of the basic allowance on a monthly or semimonthly basis to individuals, with the option to stop the payments if they are not eligible