

I do not think we should have a double standard. I do not think that the kind of administrative expense that is needed for a negative income tax is proportionately any greater than the expense that is now allocated for the positive income tax. If you believe that these people have been discriminated against by society in the first place and that part of our problem is that we want to get them back into society, this kind of double standard is not at all defensible.

Finally, I want to add one word on the question of whether we can afford a negative income tax. The amounts of money are surely large, but I do not think it is meaningful to ask today whether we can afford such a program in this country. A nation that is allocating \$25 to \$30 billion a year to an unpopular war can surely afford to allocate at least as much to help its own poor after the war is ended. The question is one of priorities and social attitudes. Those who believe the poor have only themselves to blame for their poverty will prefer tax reduction to an imposed social welfare program. Those who believe as I do that the condition of the poor is traceable to oppression and discrimination will prefer the improved social welfare program.

It is becoming fashionable to argue that defense expenditures will not decline much after the war has ended because depleted stockpiles need to be rebuilt and long-range military programs have been deferred. But I doubt that our national security will be significantly improved if we spend \$85 billion a year for defense instead of \$60 billion. On the contrary, unless we make an early decision to take care of our poor, the national security will be endangered far more by uncontrollable forces within our midst than any enemies we may have abroad.

Thank you very much.

Senator PROXMIRE. Thank you very much, Dr. Pechman.

(The prepared statement of Dr. Pechman follows:)

PREPARED STATEMENT OF JOSEPH A. PECHMAN*

HOW A NEGATIVE INCOME TAX WOULD WORK

I am pleased to have the opportunity to appear before this subcommittee to discuss improvements in the income maintenance system in our country. It seems clear to all that the present welfare program cannot be allowed to continue for very long without substantial modification. It is inadequate, inefficient, demeaning, and discourages welfare recipients from working. I believe that the best way to improve the system is to replace it by a negative income tax, and I should like to outline briefly how this alternative might be implemented.¹

Before going into details, it is important to understand that the term "negative income tax" describes a general approach to income maintenance. Even if we agree on the basic features, there can be legitimate differences of opinion with regard to numerous details. Opponents of negative income taxation frequently exaggerate the nature of these differences. I hope the subcommittee will not be misled by this disagreement over details. Perhaps the best way to put the matter in perspective is to recall that the Sixteenth Amendment to the Constitution, which gave the Federal Government the power to levy an income tax, would never have been enacted had its supporters argued over such matters as the level of exemptions, the degree of progression, the definition of the family unit, the definition of income, and methods of payment. In fact, with a bit of research, we could probably find that, for every criticism of the negative income

*The views expressed in this paper are those of the author and are not presented as the views of the trustees, officers, or other staff members of The Brookings Institution.

¹ For a detailed discussion of the problems, see James Tobin, Joseph A. Pechman, Peter M. Mieszkowski, "Is a Negative Income Tax Practical?," *Yale Law Journal*, November 1967 (Brookings Reprint 142).