more than half their support from them. Children and other minors living in the same household should be included in the family unit if they receive more than half the support from the adult nucleus; those who are studying fulltime for their first college degrees should be included, regardless of age.

Two difficult cases would arise under these rules. First, adults qualifying as a separate unit would be eligible for negative income tax payments even if they reside with another family unit. Such adults could be considered part of the unit with which they reside, but it would probably be better social policy to consider them separate units, since most of them are incapacitated for independent living for reasons of health, age, or psychological difficulties. Second, married minors would be entitled to claim allowances while they are living with parents who are well off. This possibility can be eliminated, but there might be some advantage to giving married couples of whatever age some financial independence even if they live with their parents.

### Size of Basic Allowances

The principle that should be followed in setting the basic allowances is that they should reflect the relative cost of supporting units of different size. This means that the allowances should increase with family size, but not proportionately because there are economies of scale in family consumption. According to the latest poverty threshold estimate by Mollie Orshansky, a single person needs a little more than three-quarters of the income of a married couple to maintain the same living standard, and children add less than 25 percent each to the household budget, with the percentage declining as size of family increases. These relationships could be incorporated in any schedule of basic allowances, and there is a good deal to be said for this approach.

The problem is that large per capita differentials between small and large families will provide some with an incentive to split up. For example, if a family of two receives a basic allowance of $2,000 and a family of four receives $3,000, the latter could gain $1,000 by splitting into two 2-person units.

In the vast majority of cases, the nonpecuniary factors governing family relationships are much more important than the pecuniary. But it would be unwise to provide too large a financial incentive to break up, even if the number of families affected might be relatively small. Accordingly, the basic allowance might be set on a per capita basis for adults, and at lower amounts which decline with size of family for children. Two schedules conforming with these specifications are shown in Table 2.

Under the H-Schedule, a family of two adults and six children would receive $4,600 if it split into two 4-person families, as compared with $3,800 if the family remained together—a difference of $800. I doubt that this advantage would bulk very large in comparison with other considerations that are ordinarily significant in the decision to maintain or split a family unit.

TABLE 2.—ILLUSTRATIVE SCHEDULE OF BASIC ALLOWANCES

| Size of family | Basic allowance | |
|---|---|---|
| | L schedule | H schedule |
| 1 | $600 | $800 |
| 2 | 1,200 | 1,600 |
| 3 | 1,600 | 2,100 |
| 4 | 2,000 | 2,600 |
| 5 | 2,300 | 3,000 |
| 6 | 2,600 | 3,400 |
| 7 | 2,800 | 3,600 |
| 8 | 3,000 | 3,800 |

### Relation to the Positive Income Tax

So long as the breakeven levels are no higher than the levels at which the positive income tax begins to apply, the negative income tax can be operated quite independently. However, if the negative income tax is to provide more than a pittance as a basic allowance, the breakeven levels will be higher than the levels at which the positive tax takes hold. For example, with a basic allowance of $2,000 and a tax rate of 50 percent, the breakeven level is $4,000 (see Table 1).