

food stamp programs—should not be counted as income. The aged should be permitted to elect negative income tax payments if they exceed the social security benefits to which they would be entitled.

The public assistance programs as we know it today could be eliminated entirely if the basic allowances under the negative income tax were equal to or higher than the highest State payments. It is hardly likely, however, that the first negative income tax to be enacted in the United States will be so generous. It would be desirable, therefore, to encourage the states to keep their own public assistance programs as supplements to the negative income tax. This would permit the states to improve on the levels of assistance in the national program, and also to make adjustments for cost-of-living differentials.

If the states were permitted to continue to administer their own public assistance programs, the value of the negative income tax as a device to maintain work incentives would be impaired unless their tax rates were consistent with that of the federal government. To encourage the states in this respect, the federal government might offer to pay, say, half the cost of supplementary state public assistance programs provided the states would agree to use the offsetting tax rate used in the federal negative income tax.

CAN WE AFFORD A NEGATIVE INCOME TAX?

While an effective negative income tax would cost a great deal of money, I do not believe that it is meaningful to ask whether we can afford 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 that the poor have only themselves to blame for their poverty will prefer tax reduction to an improved 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.

Senator PROXMIRE. Our next witness is Prof. Earl R. Rolph, University of California.

STATEMENT OF PROF. EARL R. ROLPH, UNIVERSITY OF CALIFORNIA, BERKELEY

Mr. ROLPH. Thank you very much, Mr. Chairman.

The proposal I would like to set forth is part of the—

Senator PROXMIRE. I just want to say that we are letting our time slip away a bit. Mrs. Griffiths will be here. I think I would prefer to save some time for questioning.

Mr. ROLPH. I think if I read this, it will be much faster than the other way.

Senator PROXMIRE. Yes, it is only seven pages, much shorter than some of the others.

Mr. ROLPH. Various negative income plans that have been proposed, whether called negative rates, income maintenance, or guaranteed annual income have, as their presumed goal, the alleviation of poverty. A credit income tax also has this goal; in addition it has the goal of improving the Federal individual income tax.

A credit income tax applies the following formula to a person: $T = Yr - C$; where T is the tax liability plus or minus, Y is annual in-