

at the end of the year would be zero and he would be entitled to a Treasury check for the amount of the credit.

The main administrative difficulty that the Revenue Service would encounter is collection of tax from people with low incomes. All plans have this difficulty. Many poor people are marginal farmers who have little skill at recordkeeping, and many of the urban poor have casual earnings. Imaginative efforts would need to be made to effectively enforce the tax law for low-income groups.

RELATION TO OTHER PROGRAMS

If a credit of about \$400 per year and a tax rate of 25 percent are internally consistent and become the law, there are many existing programs that would need to be modified and many that might be altogether abolished. There are the farm programs whose only excuse for being is to provide some farmers with higher income. If the Congress is willing to treat a credit income tax as the redistribution device, the farm program might be largely or altogether abolished. Clearly, public assistance could be radically curtailed and the present financial load on State and local governments arising from public assistance and other forms of welfare payments could also be curtailed. The several hundred new programs aimed at the urban ghettos should be carefully examined to see if they would be necessary. In fact, if a credit income tax is installed with a reasonably generous credit, the Federal Establishment other than the Defense Department could be substantially curtailed.

COST OF THE PROGRAM

In Washington it is customary to make estimates of the number of billions of dollars that a program will cost. In my view, if a credit income tax is found to be acceptable, there should be no budget item to be labeled "net credit." The credit might be reported as a total sum such as \$80 billion if the credit is \$400 per person. It would be simpler if the Treasury reported the net yield of the income tax as it now does. We do not now show, for example, carrybacks in the expenditure budget.

In an economic sense, the cost of a redistribution program will be negative by a large sum. Poverty is not only ugly, it is grossly inefficient. If people are to break out of the poverty trap, their children, to take one large group, must have a sufficiently high quality of home care including adequate diets, medical attention, and decent housing to permit them to perform effectively in school. If parents are provided with more ample financial means, they can provide for their children more effectively and many more of these children can then break out of the vicious circle of poverty.

No longer would there be incentives for poor people in Mississippi and Alabama and in many other States to migrate to the large cities in the often forlorn hope of improving their condition. They will be made better off right where they are. By having more financial means, they would be able to make their moves out of unpromising environments of the basis of the genuine prospects for work in small communities and cities instead of moving to qualify for relief.