

the income maintenance system with those who need help that just is not shared by the admitted inequities and defects of the individual and corporate tax structures.

Children's allowances are being proposed as another alternative to negative tax schemes. Children's allowances are a special case of social dividend—they are paid only to children. Again, the same low fraction of aid to the poor in the total cost is found here. If the total benefit paid to rich and poor alike is smaller in this case it is only because a smaller amount is going to the poor as well as the rich. The same crosshauling of tax and allowance moneys is also involved.

But there is an added feature. Both the social dividend and the children's allowance, after taking account of their financing, result in redistribution of income from the well-to-do toward the poor. But children's allowances also redistribute income from those who no or few children to those with many.

This redistribution takes place at all levels of income. While the idea of focusing aid on children in poor families is attractive, it is more obscure what social objective is served by penalizing those at higher incomes who choose to have small families.

The basic problem of categorical aid raises its head once more in the case of children's allowances—where aid is available only to households with children present, and where the level of such aid is large enough to make an appreciable dent in the income deficiency, powerful incentives will impel households to qualify for such aid. Only if the additional aid provided for an additional child bears some reasonable relation to the additional costs can there be something like neutrality in the effect on individual choices.

In closing, let me repeat, a successful antipoverty effort must include a comprehensive income maintenance program which can serve all the poor. A universal income maintenance scheme must both support and encourage individual efforts to improve this situation. An income-conditioned cash benefit, usually termed the negative income tax, can accomplish our objectives and seems superior to the principal alternatives that have been suggested.

Our poverty problem is, in my opinion, the top priority problem facing the Nation. An income maintenance program will not solve the problem all by itself, but neither will any other single measure. I am convinced that a universally applied income-conditioned cash benefit is a necessary part of the solution, and one that we can and must begin to construct.

Thank you.

Senator PROXMIRE. Thank you, Dr. Watts.

Thank all of you gentlemen for very helpful, thoughtful, and convincing expressions.

What I get out of this, in general, is that all of you seem to be dissatisfied with the present welfare system and think we ought to do something about it, that it must be improved, that it is wasteful as well as not providing for many people who should be covered.

I would like to start off with you, Dr. Hildebrand, and ask the other gentlemen to come in as they will. All of you gentlemen are eminent economists and are before this committee for that reason as well as for others.