Representative GRIFFITHS. Now, I would like to ask, and I again apologize, what do you estimate the cost of a negative income tax, child allowance, or whatever; what do you think the total cost would be?

Mr. PECHMAN. You would have to stipulate your plan.

Representative GRIFFITHS. You stipulate your plan and tell me how much.

Senator PROXMIRE. Dr. Hildebrand had the child allowance. Why not start with that?

Mr. HILDEBRAND. It is as Dr. Pechman says, how you stipulate a plan and what effect you get out of producing such a plan, the number of people who withdraw from the labor market, and so on. You could have a negative income tax of a modest type that would run between $4 and $11 billion, as a cost estimate, depending upon its work incentive effects. If instead, the plan was a child allowance, it would depend upon whether you make it universal, or for all children under 18, or whether you limit it to the poor.

It also depends on the rate of payment. If you are going to give the child only $100 a year or $120, as in Canada, you can do it for the poor alone and do it for, say, around $1.5 billion.

If you extend it to all, you might have a net cost of around $7 billion for a $100-per-child allowance. If you want to make it higher, the cost goes up.

Mr. PECHMAN. I have two schedules in my statement, one I call the L schedule and the other the H schedule. The H schedule, or the high schedule, will be much more adequate. We have estimated that schedule to cost net— that is, after taking into account the reductions in public assistance payments, and other offsetting factors, particularly if you included rent in the tax base—as much as $20 billion per year.

This, of course, would not close the entire property gap, but would go a long way toward that. It is very expensive to do an adequate job.

Mr. HILDEBRAND. To put it another way, if you want to get rid of AFDC as the typical crucial problem in the categories, you have to pay equivalent to the highest State under one of these plans. That means $2,700 a year for a family group of four. That, in turn, gives you high costs.

That is what you are referring to?

Mr. PECHMAN. Yes.

Mr. ROLPH. Another way of looking at it is that in a systematic redistribution, you are going to raise the percentage that the lowest fifth gets, and also the lowest next, as you do now, as a matter of fact, as a consequence of the Federal income tax.

Only under a credit tax plan of the sort I have ben propagandizing for, you would do it more so. But if you want to double, let us say, the share of the lowest fifth, and that is where the poverty people are concentrated, keeping in mind that not everyone who gets a low income in any one year is poor, by any means, you would have to knock off 4 or 5 points from the percentage of the highest quintile.

Well, that is the sort of tradeoff that does affect the other groups in between.

The other point concerns how this hurts the rich. If you adopt a flat-rate system, considering what we presently have, high marginal