

they were about half the income of the poor. The latter point is true even though only about half of the after-transfer poor families received a transfer. It is interesting that the several types of transfer payments differ widely as to their distribution. Most unemployment insurance and veterans benefits went to the pre-transfer non-poor, while public assistance went chiefly to those who remained poor after transfer. The benefits of the largest program, OASDI, were more evenly distributed, with relatively heavy emphasis upon those who became non-poor by receiving transfers. Money transfers do much more for small families than for large families. Persons in families of four or more persons are 55 percent of all persons poor before transfers and 62 percent of those poor after transfers. They comprise only 36 percent of those taken out of poverty by transfers. Although such persons account for 51 percent of the poverty-income gap, they get only one-third of all transfers received by the pre-transfer poor.

Under this money-transfer system the average payments, net of taxes to pay for transfers, were systematically related to pre-transfer income and family size. That is, for families with under \$1,000 of pre-transfer income, the average net transfer was \$810 for one-person families, \$1,280 for two-person families, \$1,650 for four-person families, and \$1,935 for six-or-more-person families. (Note the bias against the larger families.) The average net transfer fell off to zero at \$4,000 for one-person families and \$5,500 for four-person families. Those figures are *averages*. One way to assure a pattern something like this in terms not of averages, but of minimums, and at the same time, to correct the bias in the present system against the larger family is by means of a guaranteed income plan. The present system cuts the pre-transfer poverty-income gap by \$10 billion. By adopting a carefully designed guaranteed income plan, we could cut the gap by another substantial sum and thereby hasten our progress against poverty.

THE GUARANTEED INCOME IDEA

The guaranteed income is one name for a family of plans that includes such members as the reverse or negative income tax, the income-conditioned family allowance, the income supplement, and the social dividend.³ The central idea of all these plans is that net benefits are payable on the basis of family size (or number of eligible family members) and the level of income. This is in contrast with both public assistance and social insurance. Under one of these plans, which we will refer to as "The Welfare-Oriented Negative Rates Plan," a family would receive 50 percent of the difference between its actual income and the poverty-line income for its family size. This means allowances would be paid as shown in Table 1.

TABLE 1.—NET ALLOWANCES FOR FAMILIES OF 3 DIFFERENT SIZES UNDER WELFARE-ORIENTED NEGATIVE RATES PLAN

Family income before allowance	Net allowance based on 50 percent of poverty-income gap		
	1-person family, poverty line of \$1,500	4-person family, poverty line of \$3,000	6-person family, poverty line of \$4,000
\$0.....	\$750	\$1,500	\$2,000
\$500.....	500	1,250	1,750
\$1,000.....	250	1,000	1,500
\$1,500.....	0	750	1,250
\$2,000.....	0	500	1,000
\$2,500.....	0	250	750
\$3,000.....	0	0	500
\$3,500.....	0	0	250
\$4,000.....	0	0	0

A family would therefore be confronted by a new set of choices. The new choice situation is represented by Figure 1. Consider a four-person family earning \$2,000 (choice point A). After the plan is in effect that family would receive a net allowance of \$500, and if it continued to earn \$2,000, would have an after-allowance income of \$2,500 (choice point B). On the other hand, if its

³ See Christopher Green and Robert J. Lampman, "Schemes for Transferring Income to the Poor," *Industrial Relations*, Vol. 6, No. 2, February, 1967.