

The alternative proposal is a two-stage one. The first stage is a federal setting of standards to lift assistance benefits for those four-person families in the traditional categories and with no income to \$1,500 in all States. The second stage is to introduce a variant of the negative rates plan discussed above. This variant is called the "Negative Rates Plan for the Working Poor." For a family of four, this plan would supplement any amount of earnings or other non-assistance income up to \$1,500 with \$750. Income beyond \$1,500 would diminish the supplement toward zero at the \$3,000 level.

Both proposals would accomplish almost the same things. They would channel help to those among the poor who most need it and who are least helped by the existing American system of transfers, which now pays out over \$40 billion of cash benefits. Either proposal would cost about \$5 billion of new tax money in 1969.

Mr. LAMPMAN. The guaranteed income is one name for a family of plans which include such members as the negative income tax, the income-conditioned family allowance, the income supplement, and the social dividend.

The central idea of all these plans is that net benefits are available on the basis of family size or number of eligible family members.

Professor Morgan talked about a family allowance or a children's allowance, which is one example of this general family of plans. On the basis of family size, then, and on the level of income, this is in contrast with both public assistance and social insurance.

One type of a plan we can call a negative rates tax plan. A family would receive 50 percent of the difference between its actual income and the poverty line income for the family size. Thus, for a four-person family, we can imagine I think that if they had no other income, they might receive one-half of the poverty line income. Nowadays that is about \$1,600. This would be the level of guarantee, then, in the case of no earnings. If they earned some amount, this would close the distance between their actual income and poverty line and their allowance or net payment from the plan would fall.

There is in all these plans some level of income at which no benefit is payable. You can refer to that as the break-even point. A 50-percent rate plan of the kind so briefly mentioned would today cost somewhere around \$7.5 billion gross. There would presumably be some savings on public assistance so one can estimate about a \$5 billion total cost to the Treasury.

As Professor Morgan has mentioned, this is a transfer cost; a transfer charge. It is quite different from other costs that economists refer to as resource-using charges.

Now, one way of calculating the importance of a \$5 billion outlay of this sort that I have just mentioned is that it would approximately close one-half of the poverty income gap that remains at this time. Thus, we could, by adding \$5 billion to our present pattern of income maintenance payments, take our poor population very close to a point of elimination of all the poverty that remains in the United States.

Now, there are various other plans that have been suggested or reviewed at an earlier session of these hearings, which would eliminate poverty altogether. I would like to underline that there is no way to eliminate the poverty income gap of \$10 billion or a little more that exists today for anything like \$10 billion. It would cost, apparently, under any plan, at least twice as much as that, perhaps three or four times as much under some plans, to totally eliminate poverty. Thus, a 100-percent tax rate plan which would say to every family, we will fill