in the country, aside from those on assistance, are in families where earnings run in the neighborhood of $2,000 a year.

I have suggested in my paper here that we should think about a plan which is designed specifically for the working poor, that we would say to them, we will supplement your earnings and, as one suggestion in the paper goes, if you are in a family of four persons and your earnings are $2,000, we will supplement those earnings with $500. That would close approximately half the poverty income gap for families in that circumstance.

We could at the same time say to them, the guarantee for you as a member of the working poor is very low. The guarantee, let us say, is $750. If you do no work, in other words, your option is to take a very low income. This is set deliberately low to make it clear to everyone that we are not inviting people to stop work. It would, however, be a way of adding to the income levels of most of the people now in poverty and I hope without discouraging them from continuing their work efforts and indeed, along the line Professor Morgan suggested, induce them onward and upward to still higher levels of earning and well-being in their family units.

I would also point out that if we are looking for places to begin, one of the real problems that we have in our public assistance system today is the great variability among States. So I suggest that a second or concomitant step to introducing a negative tax for the working poor would be to improve the benefit levels in the very lowest benefit States.

For example, benefits in Mississippi for a four-person family without any other income apparently run now on the order of $500 a year, whereas in New York for similarly placed families benefits run close to $3,000 a year. I would think it would be desirable to spend approximately $1 billion to raise the benefit levels in the lowest income States to something on the order of $1,500.

Now, my estimate is that in terms of transfer cost, what would be needed to do these two things is, one, a $4 billion outlay for a new negative income tax for the working poor of the kind I have mentioned; a low guarantee, $750 for a family of four; a set of benefits which run undiminished from zero income to $1,500 of income for that family; and then our decline at a 50-percent rate to a break-even point of roughly $3,000. That would cost about $4 billion.

In addition, it seems to me we could very profitably and reasonably spend a billion dollars or so improving the low-income State levels of benefits on public assistance. These two steps carry a total cost of $5 billion of new tax funds to be paid by the nonpoor.

My suggestion is not meant to be an exclusive one. It is not meant to say we should not also spend money on retraining, on some new public employment opportunities, on privately arranged on-the-job training and new employment opportunities in the private sector for members of poor families. I think these are all important to go along step-by-step together. We need also improved health and education opportunities for the poor in various parts of the country.

So that as I see it, what we are looking for, Madam Chairman, is a package of benefits, a combined set of programs which are going to continue our long tradition of concern for the poor in this country and which will move us forward to not only closing the poverty income