

Any change in existing income transfer programs must start from where we are today with regards to these 30 million poor people. And where we are is pretty clearly something of a mess.

About 8 million of the poor get some or all of their income from existing public assistance programs. About 2.2 million receive income-conditioned veterans disability payments not related to military service.

Direct income transfers to the poor from public assistance programs now total about \$5 billion a year, and the income conditioned veterans disability payments cost about 2.1 billion.

The three other major national programs provide income maintenance support not restricted to the poor. They are:

OASDI retirement and disability programs which costs about \$20 billion annually, of which approximately \$7 billion goes to the poor, primarily the aged; the various programs which pay medical bills for the aged and the poor; and the unemployment insurance program. Medical payment programs to the poor now cost about \$3.7 billion a year. Unemployment insurance costs *in total* about \$2.6 billion a year, but we do not have any statistical series which permits us to determine very accurately how much of this total poor people receive or the distribution of these payments among the poverty population.

The list could go on and on. What we do know is that our programs of income maintenance cover less than a third of those who are poor. We know that standards of eligibility and payment are uneven and sometimes illogical. We know that the working poor are almost universally excluded from coverage. We know that these programs have provided little incentive to work, by taxing the earnings of recipients at 100 percent rates, and have provided incentives for the husband to desert his family by restricting benefits to households where men are not present.

How can we improve this system? We can make revisions within the present welfare system, we could provide a system of children's allowances, or we could introduce what is widely referred to as a Negative Income Tax System.

There are two questions which must be answered before any policy of improvement or change can be appropriately focused. First, who among the groups delineated above should receive income maintenance protection? Second, how should such protection be conditioned?

I would prefer to see a program of income maintenance which would provide some protection for all poor persons but I realize that such a program may now be considered politically impossible. In this case the most realistic alternatives to universal coverage are to cover two major groups—persons over 65 and families with children.

The establishment of a single and comprehensive program of income maintenance for the aged is attractive from many points of view. First, an increase in transfer payments to this group does not have the generally bad odor of welfare attached to it. Second, they are a significant element of the poor whose income needs (as measured by the poverty line) total only about \$2.5 billion which is only about one-fifth of the income needs of all poor persons. Third, they don't have many babies, and we don't expect them to work very much.

A national system of income maintenance for the aged which would guarantee all aged persons 75 percent of the poverty line, and which provided moderate work incentives could cost as little as \$2 billion. The means for establishing such a program would not require any altogether new institution, but could utilize the present OAA program.

In order to maintain the principle of state participation and administration, each state could pay a uniform percentage of aggregate state personal income into an OAA fund supporting the entire system. Such a levy on the states would equalize sacrifice among them. This fund would then be increased by a federal contribution sufficient to pay all needy aged the difference between their existing income and 75 percent of the poverty line. Administration would remain in the hands of the states, but no state could disqualify persons 65 or older except by an unwillingness of applicants to make a simple income declaration which validated that their income was below the poverty line. The program could have simple age, income and asset limitations and be administered very efficiently.

Whether such a program should be implemented depends both upon the competing needs of poverty groups other than the aged, and upon the funds available for such programs.

Regardless of financial constraints which may interpose barriers between program proposals and action, one principle should be remembered. A system