AFDC will be permitted to keep the first $30 per month of any income without having their AFDC payment reduced; income larger than that amount will reduce AFDC benefits by 67 percent of additional income. Today the normal practice is to reduce AFDC benefits by 100 percent of any other income. The change is thus a step which begins to give people an incentive to work. I would however point out that the tax rate of 67 percent is still a very high one. No family pays this large a tax rate under the regular tax system. The highest income tax rate after all exemptions and deductions are taken is only 70 percent and that rate applies only to income in excess of $180,000 a year. I cannot imagine that such an incentive system would be very effective in encouraging people to find work if it taxed earnings from that work at rates averaging more than 50 percent.

These six requirements outline what is generally called a negative income tax, but the important point if filling the requirements, not calling it a negative income tax—I would be much happier if we called it something else. If it filled the requirements it could be called a negative income tax, or a Graduated Work Incentive program, which is the name we give our New Jersey experiment, which I shall describe, or it could be called a welfare reform.

But if we call this a welfare reform and in fact try to achieve it by reforming the welfare system, we should guard the six requirements; many proposals for welfare reform violate one or more of these crucial specifications. Many such proposed Public Assistance reforms continue to maintain state, rather than national standards; they continue the degrading system of investigation; or they continue to tie income maintenance too closely to "social services" for the poor.

The major alternative to a system such as we have outlined is called the children's allowance. It seems to be that this is less preferable.

Advocates of this type of program are in my opinion proposing an inequitable and very expensive system. Were we to provide all families in this country $5.00 a month for every child, the total cost of the program would be over $4 billion a year. If we gave benefit at a higher level (say $2,000 a year for a family of four) the cost would increase to about $33 billion.

Some advocates of Children's Allowances have proposed that the cost of such a program could be reduced very substantially by restructuring the present tax system to eliminate the present $600 exemption, and taxing the Children's Allowance. This might reduce the cost of the program to about $15 billion. There are many difficulties involved in such a tax recapture, but let us suppose that a program of Children's Allowances could be established which would initially be paid to all families; that in addition the tax law could be restructured to tax back all of the benefits received by families who are not poor, and that net benefits would be related to the degree of poverty experienced by each family.

A Children's Allowance which could do this would, in fact, be almost identical to a negative income tax program for families with children—any distinction would again be a minor question of semantics and structure rather than of substantive program differences. By calling it a Children's Allowance, we have nominally restructured our entire income tax system, but we have actually installed a program like the one outlined above by the six requirements.

In designing a program which would fit these six requirements, there are still very many open issues of a more or less technical nature—issues of administration, of time-phasing, of meshing it with existing systems such as Old Age, Survivors and Disability Insurance. Like most technical issues, these can be overcome.

On another set of issues related to human response to such an income maintenance system, however, we still have little information—lots of guesses but little information.

Will a negative tax likely affect the number of children which would otherwise be born to recipient families? What will be the effect on patterns of inter-area and rural-to-urban migration among the poor? What effect might such a program have in achieving a greater sense of community identity or a lessening of tension between the poor and the affluent? How much would family integration and stability be increased? What effects might such a program have on the educational attainment of children among recipient families? Finally, most important, what will be the actual effect of such a partial tax of low-level earnings on the incentives to work and earn?

Answers to these questions can only be determined from empirical data, and the importance of such issues as these have led the Office of Economic Opportunity to fund a Graduated Work Incentives experiment in New Jersey. That project, which I believe to be the first scientifically constructed attempt to