

determine the effects of policy alternatives under public discussion, is to begin late this summer and is planned to continue for three years. Approximately 1,000 families will receive monthly income transfers which if their income fell to zero would range between $\frac{1}{2}$ of the poverty line and the poverty line. The transfers actually made will be reduced by rates ranging between 30 percent and 70 percent as other income of the family increases.

About 200 families will act as a control group and will not be provided any transfer income. The inclusion of a control group and the variation in the income guarantee and its associated tax rate for those who will receive such transfers are extremely important elements in the experiment. They are vital to any attempt to discover the alternative costs and benefits resulting from various plans to be considered under any national program which might be legislated. OEO is therefore attempting to provide the Congress, the public, and the President's Commission on Income Maintenance with a means of evaluating the likely effects which might be expected to result from the enactment of legislation in this area. Hopefully, early results from that experiment may be available within a year or so from its inception. The experiment will not prove or disprove any hypothesis of cost or effects. It will provide a very substantial, technically competent, basis for determining estimates of costs and effects of alternative programs.

One final question remains. Throughout this statement I have indicated some favorable feeling toward proposals of the Negative Income Tax type, as a current proposition. At the same time, I have said that there are still important pieces of evidence missing and that is why we are financing the Graduated Work Incentives Experiment in New Jersey. How can I reconcile these two statements?

Frankly, I do so on the basis of a personal value judgment which I realize may not be shared by all or even a majority of the American people. I feel quite confident that Negative Income types of systems will encourage the incentive to work compared to *current* Public Assistance systems with their built-in 100 percent tax; nonetheless, I think it likely that such new proposals may discourage the incentive to work compared to *no* income maintenance at all. Thus, I suspect that the New Jersey experiment will show some diminution of work in the group receiving payments as compared to the control group receiving none. I do not believe that this drop-off will be substantial but I do feel that the guess of George Harris writing in *Look* magazine that the group receiving payment will work *more*, may prove overoptimistic.

For myself—as a personal judgment—I think that basic income maintenance for the so-called “deserving” poor who do not work because they cannot or *should* not is so very important that I would be willing to accept as a price of the system, payments to the “undeserving” who work less than they should. (I use the terms “deserving” and “undeserving” because they are common, not because they have much meaning. Are the children of an “undeserving” family head, themselves undeserving of an opportunity in life? If we answer that question affirmatively, we make it likely that they will be on the welfare rolls as adults.)

In any case, a carefully designed system would minimize the size of the “undeserving” group by building connections between income maintenance programs and training-employment programs, but there will still be some “chiselers”—there always are.

The only way to finally separate the “deserving” from the “undeserving,” however, is by a system of careful case-by-case investigation, and this is where we are today with the public assistance system—a system of investigation which many find unacceptable.

So what I am saying is that although I do want the evidence of how many—if any—will work less under a basic income maintenance system, I would opt for such system even in the knowledge that some people would work less. And I would accept such “chiseling” as a price of a needed system just as we accept “chiseling” which is much larger in dollar terms—illegal tax evasion—as a price of a non-oppressive positive Graduated Income Tax system. Neither form of chiseling is desirable but the systems themselves are desirable and necessary; and any attempt to make a perfect separation between the sheep and the goats would transform them to different and far less acceptable systems.

Representative GRIFFITHS. Thank you, Mr. Levine.
Mrs. Rivlin?