since there is no reduction of the allowance for earnings. However, depending on the level of income or allowance chosen, some persons who could work will not choose to do so because the additional earnings will not be judged worth the effort.

Most Negative Income Tax proposals typically provide for a low minimum level of support and a strong monetary incentive to work since the level of payments is low and a substantial fraction of earnings above the minimum are retained by the wage earner.

Proposed changes in Public Assistance Programs would improve the level of support by establishing a National Assistance Standard and would provide a monetary incentive to work by exempting a significant proportion of earnings.

The balance struck in any particular system between the level of support and the monetary incentive to work reflects the relative importance attached to each by its supporters. The conflict between these values is intensified if resources available for Income Maintenance are limited. And in fact, resources have been limited in relation to what is required to bring the income of all poor even to the poverty level. In the 1967 Economic Report of the President, the poverty income deficit was estimated to be about $11 billion; that is, the amount of money necessary to raise the income of the poor to the poverty line. Eleven billion additional dollars would nearly double the amount of cash assistance going to the poor. It is likely that additional funds, perhaps twice as much, would be required to close the poverty gap because some of the poor or near poor who are now partially or fully self-supporting would quit working and some individuals who now escape poverty by living in a household whose combined income is adequate for all would establish independent households for whatever assistance is available.

The efficiency dilemma

Particularly if resources are limited in relation to the size of the poverty problem, some would insist on an additional objective for Income Maintenance Programs—that they be efficient, where efficiency is gauged to be the proportion of additional resources for the purpose of raising the income level of the poor which actually goes to those who are poor. This criterion further intensifies the difficulty of shaping new programs or reforming old ones, because any system which insures an adequate level of living for all and includes a monetary incentive to work, cannot avoid providing income transfers (through partial earned income credits) to individuals in the middle income brackets.

Any system which incorporates an earned income exemption and provides a guarantee of an income for everyone at the poverty level compromises the efficiency objective. If transfers are to go only to the poor, the minimum payment will have to be below the poverty level. How far below depends on how prominently incremental earnings are to be reflected in income. If a high minimum payment is set, the monetary incentive to work is weakened; if a low minimum payment is fixed, the incentive to work is strengthened and adequacy is sacrificed for those not working or unable to work.

The dignity dilemma

Insistence on efficiency raises another dilemma. In order to insure that money goes only to the poor, it is necessary to subject potential recipients to a means test or at least an income test of eligibility. In a work-oriented society, some stigma attaches to money received only after proof of need. An Income Maintenance Program such as Children's Allowance which gives money to all families with children, avoids the stigma, but some proportion of the funds go to the non-poor.

The equity dilemma

Limited resources also force consideration of the following distributional or equity issue:

Should additional funds be distributed "equally" to all who are poor, or should assistance be concentrated on only certain categories of the poor?

Among those covered by Public Assistance, those receiving AFDC are worst off:

Should additional funds be spent on improving the income level of this group?

Should it be spent on others who are not now covered by Federal programs—unemployed male headed families in States which have not yet adopted such assistance programs and other unattached individuals of working age?