now oppose any substantial redistribution of purchasing power which would involve higher taxes for higher income groups to increase the consumption of the lowest income groups.

Against this political fact is the fact that present public assistance programs are grossly inefficient and that present income maintenance programs suffer from lack of coordination.

Most income maintenance schemes, of course, begin with imposing a very high tax on any income earned by clients of the plans. We are all familiar with the 100-percent tax imposed by the conventional welfare formula; this has been somewhat modified, of course, by the recent amendment to the Social Security Act which allows AFDC recipients to keep the first $30 of earnings per month and 30 percent of the excess, up to a cutoff point. So the effective tax rate is only 70 percent. This incidentally, is the rate which applies to a joint return on income of over $200,000 a year, and a rate this high is alleged to decrease incentives of the rich, but the incentives of the poor are supposed to be immune to extraordinary tax rates.

Well, I doubt this. I think that if we are really serious about predicating income primarily on work, we would pay more attention to work incentives where the incentives are weakest. What we actually do, of course, is place the highest tax upon incentives to earn income where the incentives are lowest—on people who exist in the demeaning no man's land between work and welfare. Then we further impair incentives by other devices, such as payroll taxes, which reduce take-home pay, and therefore, immediately affect incentives.

Likewise, if we were serious about self-sufficiency, I think we would attempt to strengthen it where it is most fragile. In fact, the system actually impairs self-sufficiency in many ways; for example, through taxes like the tax on residential property, which bears most heavily on the poor; like the inflation we continue to tolerate which drives people deeper into poverty; like the income tax exemption for dependents which is of greater value the higher the income, rather than vice versa; like above-average prices in ghettos. All these things impair self-sufficiency.

Now, just a comment on the negative income tax. I submit that as a means of delivering purchasing power to people who need purchasing power it is better than the present public assistance system. For one thing, it gets away from a 100-percent tax rate, but negative income tax schemes themselves have to impose very high effective tax rates on marginal income or earned income of the poor in order not to cost too much. Tobin's plan for a 33⅓-percent rate, with a reasonably high floor, would cost an estimated $40 billion a year. To bring the cost down the marginal tax rate on earned income must go up.

So-called social dividend plans, which give everybody income, differ little from NIT plans. That is, they differ little if social dividend plans are integrated into the personal income tax, as I think they should be. Incomes above a certain level—let's say incomes above average—would be taxed sufficiently to recapture the social dividend plus something extra to pay the cost of the social dividend to the poor.

Concerning the broader incentive effects of this family of income-maintenance plans, I have no more information than anybody else. I do have a conviction which I would like to see more thoroughly tested.