Well, so far, there is a lag in recognizing this fact. The New York Human Resources Administration now projects a need for training about 100,000 people a year for 10 years just to catch up with the backlog of dropouts and other hard-core unemployed and to adapt the labor force to meet the changing needs of the New York City economy. This is to be compared with the 13,000 slots we now have, many of which are doing far less than adequate jobs.

At the moment, I am not very much encouraged, but one lives with hope and the isolated experiments and successes we have had thus far lead me to say that we are not utterly without resources or imagination. The question is whether we can take advantage of them.

(The prepared statement of Mr. Fitch follows:)

PREPARED STATEMENT OF LYLE C. FITCH

Because I appear after several days of discussion concerning general income-maintenance plans, public assistance programs and related matters, I will make some rather general comments on basic issues.

1. Attacking poverty by income-maintenance schemes implies emphasis on increasing consumption, rather than productivity, of the poverty-prone group. In our full-employment economy, this means reducing the consumption of the non-poverty group or reducing expenditures in some other sectors, so as to release more consumer goods or the means of producing them. Among possible candidates for public expenditure reduction are:

a. Military and defense expenditures, the only category whose magnitude is sufficiently large to permit diversion on the scale required (assuming that such a diversion were otherwise "feasible");

b. Expenditures on esoteric innovations, such as space and SST;

c. Subsidy programs, such as agricultural subsidies, which primarily benefit the affluent; and

d. Assistance to underdeveloped countries.

2. The amounts required to get the people who are below the "poverty line" (as defined by the Social Security Administration)[1] up to that line are very substantial, say $11 billion a year. But this is only a first step toward what needs to be done to bring all Americans into the national economic and social mainstream. The poverty line for a family of four is about 38 percent of the median family income, and 30 percent of average disposable income of the country at large.[2]

3. The present Congress as a whole, and apparently a substantial majority of the voters, would now oppose any substantial redistribution of purchasing power, which would involve heavier taxes for higher-income groups to provide increased consumption for lowest-income groups. Nonetheless, costs of public assistance, over which Congress does not exercise year-to-year control, have been mounting rapidly, implying that some redistribution is taking place. And the amount of attention given to methods of delivering unearned income to people who don't have income, the gross inefficiency of the public assistance programs, and the lack of coordination among income-maintenance programs generally, indicate that something may be done in the fairly near future, even though the political atmosphere seems not overly receptive at the moment.

4. Most of the income-maintenance schemes devised thus far put what is in effect a heavy marginal tax on earned income. The case of the 100 percent tax on additional income earned by welfare recipients is well known. It has been somewhat mitigated by the 1967 amendment to the Social Security Act permitting AFDC recipients to retain $30 a month, and 30 percent of the excess of earned income, up to a cut-off point. This amounts to a marginal tax rate of 70 percent on earned income, equal to the rate in the highest income brackets (applicable, for taxpayers filing joint returns, to income in excess of $200,000 a year).

The effective rate on earned income can be reduced, as under various negative income tax proposals, but this means (a) increasing the number of people who will benefit on net balance, (b) increasing the amount of transfers required from

[1] The "poverty line" varies according to size of family and rural or urban status. It is about $3,300 for an urban family of four.
[2] Per capita average multiplied by four.