the upper to the lower income groups, and thereby (c) corresponding increases in budget requirements which have to tbe financed by taxes on upper income groups.

5. Other types of income maintenance, such as family allowances [3] (a) do not improve incentives to work, (b) do not reach substantial portions of the poverty-ridden population, and (c) benefit everybody from pauper to millionaire.

6. If we were really serious, in this ostensibly work-oriented society, about predicating income primarily upon work, would we not pay more attention to work incentives? What we actually do is place the highest taxes on earned income where the incentives to work are presumably the lowest—on the people who exist in the demeaning and miserable no-man's-land between work and welfare. The system impairs work incentives further by other devices which reduce take-home pay, such as payroll taxes (this is done partly for the purpose of keeping down tax rates in higher-income brackets, where work incentives presumably are strong).[4]

If we were serious about self-sufficiency, would we not seek to strengthen it most where it is most fragile? What the system actually does is impair self-sufficiency in numerous ways, as through other regressive taxes. We have recently been waking up to the fact that the property tax, mainstay of local government finance, grossly discriminates against the poor [5] and discourages building the housing they need. The inflation which we continue to tolerate drives many people deeper into poverty. The income tax exemption for dependents is of greater value, the higher the income. Prices in the slums are typically higher than elsewhere. Goods available in the market are inferior; so are public services.

7. Finally, in the work-oriented society very many people—far more than published statistics show—are deprived of self-sufficiency because they cannot find work or steady work, or cannot find jobs paying wages which will support them and their families. It simply will not do to rationalize such conditions by saying that they exist because the marginal value productivity of the workers is low, or that minimum wage laws prevent the workers being hired. Such statements at best only indicate the existence of structural problems which have to be solved if we are to maintain a reasonable degree of social order and economic progress.

The $11 billion extra transfer payments required to bring all households up to an arbitrary poverty line seems formidable; the amount is approximately equal to what will be paid out in public assistance this year. The $40 billion cost of a Tobin negative income tax formula which imposes an effective marginal "taking" rate on earnings of only 33⅓ percent (for persons receiving both income and NIT assistance) seems quite out of the question. How about another way out?—seeking to funnel to the proverty-prone a larger share of the annual increment to gross national product. By the year 2000, with a 4 percent annual growth rate the annual gross national product, in 1967 dollars, will be about $2,900 billion. Even taking into account other demands on GNP, this is adequate to provide consumption increases in the magnitude of 250 percent for households in the lowest quintile, 50 percent for households in the highest quintile, and in-between amounts for in-between quintiles.[6] Such a radical redistribution

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[3] Over what present income tax deductions provide.

[4] Social security taxes have only a nodding relationship to the amounts of social security benefits which individuals ultimately realize. The lack of quantitative correspondence between payments made by the wage-earner and the ultimate benefits he will one day receive doubtless affects the way he thinks about the wage tax; to unsophisticated persons who discount the future at high rates, the wage tax, by reducing take-home pay, probably acts as a disincentive. As far as employers are concerned, the payroll tax adds to labor costs and has effects somewhat analogous to those alleged for the minimum wage laws by decreasing the number of persons at the bottom end of the productivity scale who will be hired by the employer. By adding to wage costs, the payroll tax also raises prices a bit and adds its widow's mite to other inflationary pressures: moreover, organized employees are likely to demand that their share of payroll tax increases be absorbed by the employer.

[5] See Dick Netzer, *The Property Tax* (The Brookings Institution, 1965).

[6] The increases per quintile in this particular redistribution model are as follows:

Quintile:	*Percent increase in consumption per household*
First (lowest)	250
Second	200
Third	150
Fourth	100
Fifth (highest)	50