

assistance has severe perverse effects on work incentives. In my judgment, assistance programs should either be substantially changed or should be replaced with a wholly new Federal program of income maintenance.

The middle-class observer sees unfilled jobs requiring low skills and at the same time sees growing caseloads in welfare programs. He may conclude, sometimes with much feeling, that the poor are lazy, lack work discipline, and are being spoiled by levels of welfare benefits that are too high. Those who reach such conclusions seek to cut benefit levels and arbitrarily to restrict caseloads, a mood that was reflected in the so-called "freeze" provisions of the Social Security Act Amendments of 1967.

The conclusion that welfare programs inhibit work effort is correct, but the reason is emphatically not that benefit levels are too high. Rather it is that the welfare recipient in effect has had to choose between working and receiving benefits, since there has been no incentive to take any work at all unless it paid more per month than the welfare benefit level. It is important to note that other income maintenance programs do not confront beneficiaries with this all-or-nothing choice. A person between the ages of 65 and 72 can earn up to \$125 a month and still receive full old-age insurance benefits; he can earn an additional \$100 a month and his benefits will be reduced by only half that amount.

Another way of putting the problem is to note that welfare has in most cases, and this is parallel to what Mr. Fitch said a moment ago, imposed a 100-percent tax rate on earned income by reducing benefits a dollar for every dollar earned. This tax will soon be abated for recipients of aid to families of dependent children (AFDC) by one of the desirable provisions of the Social Security Act Amendments of 1967. When these are in effect, the first \$30 a month of earned income can be kept, and so can one-third of additional earnings. I make the same point that Mr. Fitch did, that the marginal tax rate on earned income after these amendments are in effect will still be higher than it is for most of the very rich.

We are often told that mothers on AFDC typically cannot work because they are needed to take care of their children. Those who tell us this may not be aware of the extent to which mothers work in our economy in general. In 1965, 23 percent of married women with children under 6 were in the labor force. For married women with children whose children were all 6 or older, the labor force participation rate was 43 percent. Those figures are for all races combined. If we look just at Negro women, the figures are much higher.

In 1960, the labor force participation rate of separated and divorced urban women aged 25 to 54—with and without children—was 88 percent; this is a category in which many AFDC mothers fall. Finally, there is clear evidence that the labor force participation of married women in 1960 was reduced more by being on welfare than by receiving other types of unearned income.¹

Representative GRIFFITHS. I would like to thank you for mentioning this, because there are 200 million Americans and up to this time, I thought I was the only person who had ever figured this out.

¹ These results are drawn from a forthcoming book by my colleagues William G. Browen and T. A. Finegan. I am indebted to them for permission to draw on their work.