

nobody can be against dividing something judiciously—between income maintenance and the various services that are offered now under OEO community action programs; the various Labor Department, HEW, and OEO job training and job creation programs; and also some forms of subsidies for housing to offer ghetto residents an opportunity to escape to a better environment.

Thank you.

(The prepared statement of Mr. Levitan follows:)

PREPARED STATEMENT OF SAR A. LEVITAN

The rediscovery of poverty in the United States has focused attention on public assistance. The program has been found wanting and has been attacked not only by traditional foes of the welfare state who are disturbed by the ever increasing costs but also by liberals. In a recent volume on the welfare system, sponsored by the Industrial Relations Research Association, none of the academic contributors had a good word for public assistance programs and they found the program "niggardly", "capricious" and "anachronistic." Their views are typical of sympathetic observers of the welfare system.

THE NEGATIVE INCOME TAX PANACEA

The obvious solution offered by new antipoverty warriors has been to wipe the slate clean and to design a new income maintenance program. The most appealing approach to supplying income to the poor—the negative income tax—has been designed by economist Milton Friedman and had become the rallying cry for those who would reform the existing system. Friedman's proposal had the appeal of simplicity and presumed efficiency. The law which currently provides only for the collection of taxes would be extended to include grants based on family and individual income.

That the proposal appeals to liberals and conservatives alike may be baffling. Friedman proposed the scheme as a substitute for existing welfare programs. Convinced that many of these programs frequently work to the detriment of the poor, Friedman opted for supplying the poor with a minimum income and anticipated that they would exercise free market choice and maximize their welfare with their limited resources. Given Friedman's views about welfare legislation his proposed alternative appears logical and preferable to the present system.

It is rather surprising that liberal economists who do not share Friedman's biases and disdain for welfare programs have adopted his schemes to the exclusion of other forms of aid to the poor. As a reaction to the Poor People's March on Washington a group of economists with impeccable liberal credentials formally endorsed only the income maintenance program demanded by the poor people and ignored all other demands. A petition sponsored by the group to drum up support in favor of income guarantees was signed by 1,200 economists. Paul Samuelson, one of the sponsors, has drawn the inference that economists agree on the desirability of the negative income tax.

It is not clear what type of income support is envisioned by liberal supporters of the negative income tax. Few have proposed a rate schedule which will provide an income sufficient to lift the poor above the threshold of poverty. Concerned with the costs of a negative income tax and its impact upon the incentive of low-paid workers to seek gainful employment, the most frequent proposals are designed to guarantee about half of the income needed by the non-working poor. In a number of states the support provided by public assistance currently exceeds the income that would be paid under the new proposals. Obviously, since liberal proponents would not want to reduce the income support, they would probably opt for both systems in states where public assistance exceeds uniform negative income tax payments. There would also be a need to maintain some system to take care of emergencies. Inadequate and harsh as the present system is, it is geared to provide for the needy in emergency situations. Moreover, unlike the negative income tax plan, the public assistance system is geared to provide for difference in cost of living between rural and urban areas. It is, therefore, becoming increasingly clear that the "clean and efficient" negative income tax scheme is not a complete substitute for existing programs.