

(Incidentally, the current earnings exemptions and tax rates of the income incentives provision of the 1967 amendments encourage part-time work, making clear that welfare and work are intermixed rather than competing economic systems.)

The incentive issue has to be viewed more broadly in terms of general labor market conditions. If jobs are not available for the low-skilled, neither pressure to work nor training will help much. It is important to increase the wages offered to the unskilled; the wage levels of the unskilled have not risen as rapidly as those of other groups in society so that the incentive to work is not great. The issue is *relative income*. The depression psychology of many of us leads us to view \$2.00 an hour as a superior job even though by today's standards that is no longer true.

To some extent, the usual question of incentives has to be reversed. The traditional question is how low do benefits have to be to encourage people to seek work? The new question is how high do wages have to be to induce people to work? That way of stating the question may be too strong but it does indicate the importance of looking at welfare in terms of the work world—the availability and remuneration of work—rather than in terms of itself.

No policy can come close to adequacy without having the question of incentive introduced. It seems to me that we should not construct a social policy primarily on the basis of preventing its abuse. Even if we have as many as 25% on welfare who are malingers, and I am sure that is very high overstatement, we would be poorly treating the other 75% to deal with the abusers.

The second major issue is whether adequacy or coverage should be more important. If only a fixed sum is available for the increase in cash programs, is it more desirable to give relatively high benefits to a few or lower benefits to many more? At this stage of reform, I lean to extending coverage as the more important consideration. To concentrate on particular groups will make it more difficult to eliminate issues of category and investigation. More importantly, we should be paying attention to the non-welfare poor, especially the working poor.

Incentive, adequacy and coverage vie with each other. They collide perhaps more than they overlap. The less the increase in expenditures on cash programs, the greater the collision. I think that we have lacked presentation of various possible permutations of the three. The concern with the techniques of reform have sometimes masked the clarification of choices.

CASH PROGRAMS CANNOT SOLVE PROBLEMS ALONE

If I am right in believing that cash programs are now being assigned a new role as investments in human resources and that greatly extended hopes attach to what can be done with a more adequate and humane transfer system, then it is important to see that cash programs cannot do the job alone.

As I have said earlier, it is important to improve schools if we want to improve the educational performance of the children of the poor.

If we want to encourage individuals to work, then, we must have a strong demand for their work. This means, as I have said, a high employment policy generally plus specific programs which construct jobs, both private and public, for those of little education or skill. Incentive to work is not enough if opportunity lacks. The experience of the Sixties is that we have underestimated the scarcity of opportunity for the low-skilled.

A good cash program is expensive; a good job program is expensive. They both require governmental subsidies. The temptation is to go either way—to say that funds effectively spent on the provisioning of jobs will eliminate the need for welfare or that a decent welfare system will take people out of poverty and encourage them to find opportunities. But *both a job and income strategy are needed*.

The poor are very diverse. Not all can or should work; they will require cash assistance. Rehabilitation, training and counseling can help but I am not optimistic about the effectiveness of these devices. Cash can help.

Since work and welfare are now intermixed, we would have to have a very sizable increase in payments in the low wage sector to pay an adequate wage to families. Whether such an increase is compatible with expanding enormously and rapidly the number of jobs may be doubted.

The diversity of the poor and the intermixing of work and welfare support the importance of a cash transfer program. The inability of incentives to be