

STATEMENT OF JAMES TOBIN, PROFESSOR, DEPARTMENT OF
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Mr. TOBIN. Thank you, Madam Chairman, members of the subcommittee. I did take the liberty of having distributed to you offprints of the general negative income tax proposal that I and a couple of other economists support. I will not go into the details of that plan here. I shall be prepared to do so if you want to question me about it.

Representative GRIFFITHS. Thank you, Professor Tobin. We will include it in the record following your oral testimony.

Mr. TOBIN. As you may know, the general idea of a system of income guarantees and supplements of the type which we advocate is very widely supported by economists, and recently over 1,200 economists associated themselves with a statement in favor of these general principles of reform of public assistance. What I want to devote a few moments to today, to begin with, is the following: The main objection I detect to a system of income guarantees and supplements of the kind roughly described as a negative income tax, is the possibility that some people who could work will refuse to work and choose to receive the minimal guarantee instead. Personally, I believe that the number of such cases would be relatively small. Even if guarantees are set at official poverty-line levels, they would scarcely provide a standard of living which one would not wish to improve.

Moreover, the basic idea of the negative income tax plan is to provide incentive for work by permitting the beneficiary to keep a sizable fraction, at least half, of his earnings rather than reducing his benefits by a full dollar for every dollar of his income. Nevertheless, I recognize that payment of the basic guarantee for no work to people who might be expected to work is a feature that attracts attention and opposition, because it seems to conflict with a strongly ingrained American ethic. That was illustrated again by the Gallup Poll which was reported in Sunday's paper.

I would hate to see a welfare reform along the basic lines we are advocating prevented or postponed for this reason. I, therefore, would like to make a suggestion for integrating a negative income tax system with a national program of training and job opportunities. Under the integrated program, it would be possible, if Congress wished to do so, to limit benefits under the negative income tax system to those individuals for whom the opportunity to earn income in employment and training programs cannot or is not being provided.

The procedure would be as follows: Under the basic negative income tax proposal I am referring to, the basic allowance for guarantee for a family unit is calculated as the sum of the allowances for individual members of the unit—adults and children, adults being provided generally with a higher basic guarantee or allowance than children. Under most schedules that have been suggested, the allowance that is made for a child depends on how many children there are in the family unit. The actual benefit received by the family unit is equal to this basic allowance minus a fraction, say 50 percent of its other income.

So now let us consider certain categories of individuals as *potential workers*. That category might include all able-bodied persons from 18 to 65 years of age except full-time students and except females who are caring for one or more children under 18. No doubt, we could think of