amount equal to half the basic allowance shown in Column 2, Table 1. Amounts in excess of half the basic allowance would be included in the tax base.

B. *Integration with Public Assistance Programs*

Current disparities among states in public assistance standards greatly exceed differences in cost-of-living; they reflect other political and economic differences among the states. They are inequitable and lead to uneconomic migrations. Although migration from agriculture and low income rural areas should be encouraged, it might well be desirable on both economic and social grounds to reverse the present tide of migration into a limited number of large northern urban areas. One of the purposes of establishing a national NIT program is to guarantee a decent minimum standard of life to Americans wherever they reside.

Nevertheless, it is probably desirable to encourage states to maintain public assistance programs as supplements to the national NIT system. This is particularly true if basic allowances are on the scale of the L Schedule, since these amounts would be inadequate substitutes for existing public assistance in most states (though of course much more comprehensive in coverage). Even the H Schedule falls short of welfare payments now made in some jurisdictions. State and even local supplementation is an attractive economical way to adjust for cost-of-living differentials. States with a greater than average sense of obligation to their less fortunate residents should not be discouraged from implementing it.

However, if the states continue to administer public assistance with a 100 per cent tax on other income, the value of the NIT as a device to maintain work incentives will be diluted. Suppose, for example, that the H Schedule is in effect nationally and a state wishes to add $400 to the $2,600 basic allowance for a family of four. If the state reduces its aid dollar-for-dollar for other income earned up to $400, the incentive effect of the 50 per cent NIT rate would be negated unless the family could earn more than $400. To be sure, the family certainly has more incentive than under present welfare laws; with a $3,000 basic allowance and 100 per cent tax the family must find a way of jumping from zero earnings to more than $3,000 before there is any financial reward for self-help. But it is undesirable for even small amounts of income to be subject to 100 per cent marginal tax rates.

States should therefore be encouraged to modify their rules to avoid