

inconsistencies with the national plan. One possibility is to condition a federal subsidy for supplementary state allowances on adoption by the states of the federal negative income tax rules. That is, to be entitled to a federal grant-in-aid equal to, say, 50 per cent of the cost of a supplementary program, the states would be required to use the same rate of offsetting tax as used in the federal negative income tax.

At present the federal government pays an average of 59 per cent of the cost of federally aided categorical public assistance. The basic nationwide NIT program would be entirely federal; thus sizable state funds would be freed for the supplements or other purposes. The attraction of the optional state supplement plan is that it allows adequate guarantees to be offered in high cost-of-living states without entailing the expense of providing the same scale of allowances throughout the country. Also, individual states may find it desirable to allow for variations in the supplement plan within the state if there are substantial cost-of-living differences between rural and urban areas.

Ideally, the federal NIT program should be so generous that state supplements would be unnecessary. Although political and budgetary considerations probably make this impossible in the beginning, we believe that once an NIT program was adopted the federal minima would eventually become adequate. The welfare-minded states would have strong financial incentives to make the federal government solely responsible for income maintenance.

Since we view the negative income tax as a superior alternative to such welfare programs as Old Age Assistance and Aid to Dependent Children, we expect these and other categorical income-maintenance programs to be scaled down or eliminated if the negative income tax is adopted.

Whether assistance in kind should be abolished once cash assistance is increased in amount and in coverage is more doubtful. In general, we suggest that if public housing, the food stamp program and medical programs for the poor are to be continued, they should be justified, and modified, by considerations other than income maintenance. For example, under an adequate negative income tax the means test presently used in the determination of eligibility for public housing could be eliminated, and rent subsidies eventually could be eliminated. Eligibility for housing built under government programs would not depend on income levels. Public funds might still be made available by the government at rates below the market rate of interest, but these loans would be related to urban renewal programs and to the elimination of discrimination in the housing market—and not to con-