proposal is a perfect modern example of the shrewd observation of the French economist Bastiat more than a century ago: "The state is the great fiction by which everybody tries to live at the expense of everybody else."

None of the guaranteed-income advocates explicitly recognize that real "income" is not paper money that can be printed at will, but goods and services, and that somebody has to produce these goods and services by hard work. The proposition of the guaranteed-income advocates, in plain words, is that the people who work must be taxed to support not only the people who can't work but the people who won't work. If Paul claims a "right" to "an income sufficient to live in dignity", whether he is willing to work or not, what he is really claiming is a right to part of *somebody else's* earned income. What he is asserting is that Peter has a duty to earn more than he needs or wants to live on, so that the surplus may be seized from him and turned over to Paul to live on.

This is an inequitable and immoral proposition. It is also self-defeating. Any attempt to enforce it would destroy incentives and gravely diminish the amount of wealth and income produced. There would be less for everybody. There would be a smaller pie to divide among everybody.

I should like now to turn to the so-called negative income tax. This seems to me a misleading name for what should more accurately be called a tapered-off guaranteed income. The negative income tax tries to escape the complete destruction of the monetary incentive to work implicit in the straight guaranteed income. But it merely jumps out of the frying pan into the fire.

Under the negative income tax, a man or a family would receive from the Government a subsidy of 50 percent, say, of the amount by which the family income fell below the so-called poverty line of, say, $3,300 a year. This means that if the family had no income at all it would receive a subsidy of $1,650. If it already had an earned income of $1,650, it would receive a Government subsidy of $825. If it already had an earned income of $3,000, it would receive a subsidy of only $150, and so on.

To put the matter another way, instead of taxing the subsidized family's self-earnings 100 percent, like the guaranteed income proposal, the negative income tax would tax them only 50 percent.

I fully agree that a subsidy calculated in this way—that is, one that would be reduced by only $1 for every $2 additional that the recipient was able to earn for himself—would not be as completely destructive of incentives as the type of subsidy under which it would be pointless for the recipient to earn more on his own account. In fact, some 30 years ago I put forward a similar proposal myself in an article in the Annalist, a weekly then published by the New York Times. What I suggested was a relief payment that would be reduced by only $1 for every $2 of self-earnings by the relief recipient.

I abandoned that proposal, however, shortly afterward when I came to recognize that it led into a serious dilemma. This is precisely the dilemma of the negative income tax. Either it is quite inadequate at the lower end of the scale of self-earnings or it is unjustifiably excessive at the higher end.